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NÁVRH ROZVOJE ZNAČKY V KONTEXTU INTERNACIONALIZACE

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Goals of thesis and methods
Theoretical review of problem
Analysis of contemporary situation
Proposal of solution
Conclusion
References
Appendixes

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The main objective of the thesis is to define the framework of strategic brand development of the selected organisation on the basis of the relevant theoretical background, research and analysis. The aim of the theoretical part is to define an appropriate approach to brand development. The aim of the analytical part is to identify the key internal and external factors of brand development. The aim of the design part is to elaborate the brand development framework including recommendations for implementation and evaluation of the impacts and assumptions of implementation.

Basic sources of information:

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Abstrakt

Tato diplomová práce se zaměřuje na mezinárodní expanzi již existující značky oblečení Pastel Hood, která si klade za cíl dodávat výrobky vysoké kvality s unikátním designem. Majitelé této značky se rozhodli rozšířit svůj obchod do zahraničí a Maďarsko bylo vybráno jako destinace pro tuto expanzi. Cílem této práce je vytvořit vhodný návrh na základě zvoleného teoretického rámce, jak přeformovat značku takovým způsobem, aby bylo možné úspěšně expandovat na tento trh. Tento cíl byl dosažen použitím několika analytických modelů k studiu celkového obchodního prostředí, stávající konkurence, zákazníků a názoru místních odborníků na téma expanze. Výsledkem je návrh ideálního stavu značky Pastel Hood pro zajištění maximální kompatibility a pro úspěch na maďarském trhu.

Abstract

This diploma thesis focuses on the international business expansion of an already existing clothing brand Pastel Hood, which aims to deliver high quality products with unique design aesthetics. The owners of the brand have decided to expand their business internationally and Hungary has been selected as the destination for this expansion. Thus, the goal of this thesis is to craft a suitable proposal based on a chosen theoretical framework to reshape the brand in such a way that a successful expansion into this market can be achieved. The goal was reached by employing several analytical models to study the overall business environment, current competition, customers, and opinion of local experts on the topic of expansion. The end result is a proposal for the Pastel Hood brand to ensure maximum compatibility and position to succeed on the Hungarian market.

Klíčová slova

Mezinárodní obchod, Expanze, Značka oděvu, Identita značky, Zákazníci, Konkurence, Strategie

Keywords

International business, Expansion, Clothing brand, Brand Identity, Customers, Competition

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Affidavit

I declare that the present master project is an original work that I have written myself. I declare that the citations of the sources used are complete, that I have not infringed upon any copyright (pursuant to Act. no 121/2000 Coll.).

Brno dated 13th May 2024

Bc. Richard Šviha

author's signature

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Introduction

Today, the idea of internationalization is a part of everyday life, influencing everything we do, whether we're aware of it or not. The world has become smaller due to globalization, which connects us more than ever before.

Due to this phenomenon young businesses nowadays aim to capture this trend and reality and profit from gaining international audiences and customers that like their product or service and thus making the business grow in the process. Some businesses start their life as already international and ready to capture a global audience. Other businesses are lured to the prospect during their lifetime with the hopes of growing to reach a new audience and make their business more profitable and established beyond the borders of their origin. Entering foreign markets comes with various risks and barriers, and it's not suitable for all businesses. A major disadvantage is also the increasing amount of competition. A company must be well prepared for this step. Each country is different, behaves differently, has a different mentality, and exhibits unique buying behaviors.

Such is the case for a Czech-Slovak company called Pastel Hood, a young brand selling uniquely designed hoodies to an audience of teenagers and you adults who are drawn to vibrant and bold clothing. Pastel Hood recognized early on the appeal of their colorful and playful designs in a market saturated with more conventional and often bland fashion choices. Despite being young and still establishing their brand vision in their country of origin, Pastel Hood is contemplating an ambitious step to internationalize their operations and their online store. They aim to capitalize on the appeal of their playful and colorful designs to reach a broader audience in a country of their own choosing – Hungary.

I have chosen the topic of this thesis based on my involvement in creating the initial form of the brand and also due to my preexisting experience with international expansion of Czechoslovak online stores and brands due to my work in an agency that specialized on such.

Objectives and methodology

The main goal of the thesis is to define a framework for the strategic development of the brand of the chosen organization, based on appropriate theoretical foundations, conducted research, and analyses. The objective of the theoretical part is to outline a suitable approach to brand development. The goal of the analytical part is to identify key internal and external factors influencing brand development. The objective of the proposal section is to create a framework for brand development, including recommendations for implementation and evaluation of the impacts and assumptions of execution.

The theoretical section of the thesis aims to establish a knowledge base for crafting a strategic *brand development framework* suitable for a case like Pastel Hood. This foundation is built upon a review of relevant literature, with key sources outlined as essential informational basis.

The analytical section assesses the market, focusing on competitors, customer needs, and critical industry factors. It also sets the groundwork for the strategy proposal, detailing research areas, questions, objectives, and methods employed to achieve these ends.

The proposal itself aims to fulfill the outlined framework for the strategic development of the brand. This includes defining the main implementation activities and evaluating the proposal's effectiveness and applicability. The framework is constructed following the structure presented in the theoretical part, with insights from the market analysis.

The methodological framework for processing the diploma thesis is in part based on the Lean BEA 1 concept (Zich, 2021). After defining the problem, which summarizes the current situation "Today", a desired future state "Tomorrow". In order to realize these objectives, it is necessary to establish an information base from which subsequent recommendations can emerge to achieve the desired goal. Thus, it is essential to determine what we need to know. This aspect is addressed in the methodology of the work, represented by the following table, which defines the research areas, individual questions, and the corresponding objectives and methods or approaches. The proposal

section will focus on how the acquired knowledge can be utilized to achieve the set objectives.

Table 1: Research Structure of the Analytical Part (Own processing, 2024)

Research area	Research questions	Objectives	Methods
Internal environment	<ol style="list-style-type: none"> 1. What is the current state of the Pastel Hood company (brand, vision etc.) 2. What has led to the need for business expansion? 	<ol style="list-style-type: none"> 1. Be able to assess the current state and activities of the brand and their standing. 2. To understand the aims and objectives of the business owners 	<p>Interviews</p> <p>Research of current company activities</p> <p>Brand Identity Prism</p>
Competitive environment	<ol style="list-style-type: none"> 1. What is the level and segmentation of HU competition? 2. Are there any companies that are similar to Pastel Hood in HU? 3. How are close competitor functioning and their activities? 	<ol style="list-style-type: none"> 1. Segment the competitive space to identify relevant forces to further analyze. 2. Gain a detailed look at the profile of relevant competition and identify their brand strengths. 	<p>Desk research</p> <p>Benchmarking</p>
Local customers	<ol style="list-style-type: none"> 1. Who is the potential customer in HU? 2. What do the local buyers think of Pastel Hood? 	<ol style="list-style-type: none"> 1. Gain a customer persona for the HU market 2. Identify what actual customers think of the Pastel brand. 	<p>Desk research</p> <p>Interviews</p>
Industry experts	<ol style="list-style-type: none"> 1. What do business expansion experts think of Pastel Hood and their recommendations? 	<ol style="list-style-type: none"> 1. Gain expert consensus and their opinion on the success of Pastel in HU + their recommendations. 	<p>Interviews</p>
Market Evaluation	<ol style="list-style-type: none"> 1. Is Hungary a viable market to enter? 	<ol style="list-style-type: none"> 1. Assess the attractiveness and potential of the market for entry. 2. Influential market factors 	<p>Desk research</p> <p>SLEPT</p>

1. Theoretical part

What follows in this part of the thesis is a literature review and explanation of key terminology connected to the main topic of this thesis. It will cover the concept of international brand expansion and business internalization as well as the concepts of a brand that will be relevant for the subsequent parts of the thesis. Next, the models utilized in the analytical part will be explored and explained in detail.

1.1. Brand and the importance of branding

Kapferer (2012) emphasizes that a brand represents a vital strategic asset for any company. It provides a strong and enduring competitive edge, distinguishing a company from its competitors. This advantage is particularly visible in the loyalty it cultivates among customers, which not only boosts purchases but also strengthens the relationship and affectionate bond between the company and its customers, thereby enhancing future growth.

This effect also reflects a consumer's need to confirm their choice by supporting a brand that resonates with them personally. The purpose and strength of a robust brand can allow a company to create emotional connections with customers, making the brand non replaceable and thus creating lasting relationships. In competitive markets, such a strong brand is more noticeable and attractive because people trust it and recognize its superiority (Wheeler, 2013).

To clarify what a brand truly encompasses, I refer to the updated definition by the American Marketing Association and expanded by Lalaounis (2021). This definition states that a brand essentially represents the customer experience, articulated through various symbols like a name, logo, slogan, or design theme. It explains that brand recognition stems from consistent customer interactions with a product or service, shaped significantly through advertising and media presence and messaging. This definition is critical as it revises an earlier version that overly tied a brand to its product, a viewpoint that was considered outdated (Lalaounis, 2021).

Critics have further argued that the real essence of branding is a collaborative creation with consumers, making it an ongoing “dialogue” between the company and its

customers. As noted by Lalaounis (2021), citing various critical perspectives, a contemporary definition of a brand must acknowledge the consumer's role in co-creating and continually evolving the brand.

The role of customer-company dynamic in branding is crucial. Brands act as a guidepost, enabling consumers to quickly recognize the origin of a product or service, especially giving the relevant identifying entity behind it (Lalaounis, 2021). Therefore, brands can dictate consumer preferences. They play the role of an instrument of creating trust which in turn promotes customer loyalty as consumers link the brand with the minimization of risks related to the purchase and consumption.

To summarize, consumers tend to favor brands they trust, viewing them as brands that minimize risks, meet their expectations, and reflect their values. This means brands are more than just a supplier of material needs but that they also satisfy emotional needs.

1.1.1. Importance of brand to a consumer

The significance of the relationship between customers and companies in the context of branding cannot be overstated. Brands help consumers quickly identify the origin of a product or service, and critically, the company responsible for it (Lalaounis, 2021). Consequently, brands empower companies to influence consumer choices effectively. They act as a mechanism for building trust, fostering customer loyalty through the association of the brand with reduced risk in purchasing and consumption.

In summary, consumers are inclined to trust reliable brands that mitigate potential purchase risks and align with their expectations and values. This highlights that brands satisfy not just practical needs but emotional ones as well.

1.2. Branding in e-commerce

Since the Diploma thesis covers the expansion of online retail business solely a covering of terminology connected to e-commerce is in order.

E-Commerce refers to electronic commerce, a contemporary approach that serves the needs of business corporations, suppliers, and consumers by simultaneously minimizing costs incurred while enabling quality improvement with respect to products and services while cutting the waiting time. (Pour, 2023)

e-commerce is essentially made of taking advantages of the internet and using it to conduct business in a more effective and timely manner. It includes onset of processes like Internet purchase and sale, any contract where the parties transfer ownership or rights to an asset or service over electronic network without paper documents.

Online business activity that is associated with goods as well as services falls under electronic commerce, or e-commerce. It reaches out to “any business transaction whereby parties do not interact physically or through exchange of physical items but using electronically interfaced devices such as computers, telephones, fax machines, barcode readers, credit cards and automated teller machines (ATM) without paper-based documents.” These activities include Purchase, Inward Order Entry, Transaction Processing, Payment Authorization, Inventory Management and Order Processing. (Pour, 2023)

E-commerce refers to a diverse range of the online approach towards business activity that uses internet systems such as email, instant messaging, shopping cards, Web services, UDDI, FTP, EDI and so on. It depicts a business formula where firms or individuals indulge in transactions using electronic networks, especially the internet. By offering a more economical and efficient infrastructure for delivering products and services, e-commerce has given companies the freedom to build a strong online presence or improve their market position.

Ecommerce branding is not only concerned merely crafting a memorable logo or a catchy tagline; it's an intricate process of building a comprehensive identity that resonates with consumers on a deeper level. This identity encompasses not just visual elements but also the mission, values, and the very essence of what the company stands for. A good ecommerce branding strategy is important in today's competitive online marketplace. It serves as a cornerstone for enhancing profit margins, reducing customer acquisition costs, and building customer loyalty. (Alburger, 2023)

Ecommerce branding is the careful creation of a brand's identity in the consumer's mind, a process that goes beyond visual aesthetics to embed a company's mission, values, and tone of voice into the consumer's perception. This approach ensures that the brand's actions and communications are consistently aligned with its identity, making a strong, recognizable brand. (Alburger, 2023)

With the intensifying competition in ecommerce, effective branding has become a critical determinant of success. Here are four key benefits:

- **Increases Revenue:** Consistent branding across all touchpoints enhances brand recall and recognition, which can lead to increased revenue. A Lucidpress report indicates that brand consistency can boost revenue by an average of 33%.
- **Connects with Customers:** A well-branded product can create emotional links with customers, which results in higher profit margins to the business through repeated purchases and, subsequently, higher customer lifetime value. Emotional customers show 306% higher lifetime value, and this figure proves the role of good branding in business.
- **Lowers Customer Acquisition Costs:** With the digital advertising space on the rise, ecommerce branding will become the core of the growth strategies to decrease the cost of customer acquisition. When the awareness of the brand is increased and their recognition goes up, the amount of money a brand needs to spend to attract new customers goes down.
- **Aligns with Customer Values:** Nowadays, the modern buyers are leaning to companies that follow their values like sustainability, ethical sourcing, and quality. A good branding strategy should convey these common values, thus attracting consumers who buy from brands that can be identified with something important.

To elevate an ecommerce brand, consider the following best practices

- **Authenticity:** Don't be fake in your branding strategies. Authenticity that relates well to the customers can turn weaknesses into strengths.
- **Consistency:** Create and follow brand standards so that the brand is coherent and consistent across all marketing channels and customer touchpoints.
- **Visuals:** Invest in high-quality videos. Your brand appearance is a crucial factor for you pulling in and keeping customers.
- **Social media:** Leverage social media to spread your brand, connect with customers, and create brand awareness.

Branding in ecommerce is then the culmination of the branding elements like identity mission and vision that all play a key role in adding value and differentiating the ecommerce business in today's often saturated environment

1.3. Value proposition canvas

The Value Proposition Canvas is a tool that serves the purpose of ensuring that a product or a service is in close alignment with the customer's needs and values. This framework, which was developed by Dr. Alexander Osterwalder (2014), is a key component in the Business Model Canvas, with the customer segment-value proposition alignment as the main target. It is more useful for fine tuning existing products or the creation of new ones, giving a structured method to comprehend customer necessities and also to ensure that the market offer fulfills these needs well.

At its core, the Value Proposition Canvas consists of two main sections: the customer segment and the value proposition. Thus, these parts collectively give a comprehensive overview of the customer's requirements and how a company's offerings can address these needs. The depiction of this concept can be seen below.

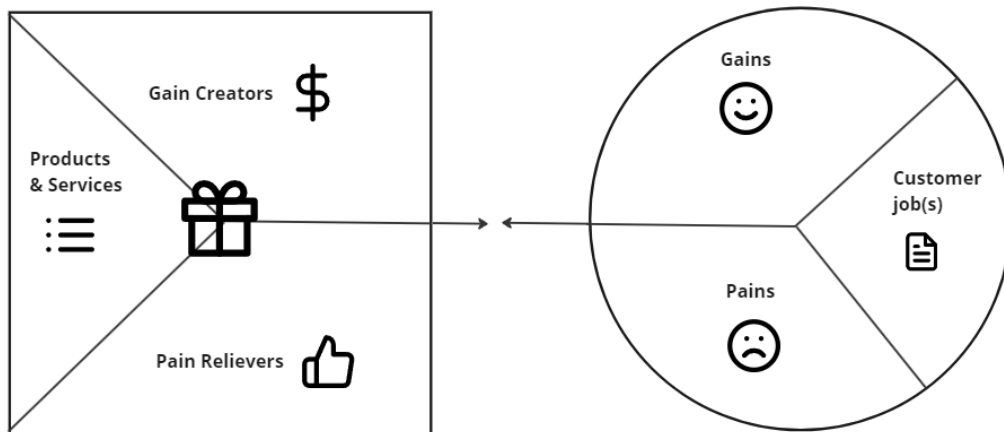


Figure 1: Value Proposition Canvas (based on Osterwalder 2014, own processing)

Customer Profile

The Customer Profile is built around three key areas: The Customer Profile is built around three key areas:

- **Gains:** This is not only the benefits that they want, but also the features that could make them happy with the product or service, or the things that could increase the chances of their adoption of it.
- **Pains:** These are the negative interactions, feelings, and possible dangers that customers have to deal with when they wish to attain their objectives or solve their problems.
- **Customer Jobs:** Here, there are the tasks specified for completion, the problems are presented to be solved, and the needs are specified to be satisfied, whether they are of a functional, social, or emotional nature.

Customer Profiles for each distinct customer segment let us get into the details of how different are the "jobs to be done", and also the different pains and gains of each segment. (Osterwalder, 2014)

Value Map

The Map addresses how a company's offerings cater to the customer profile and is made up of the following:

- **Gain Creators:** These are the ways in which a product or services can give gains to the customer and make them have added value.
- **Pain Relievers:** This section states how the product or service helps in solving customer's pain points which makes their life easy and enjoyable.
- **Products and Services:** These are the particular offerings which are made up of gain creators and pain relievers, forming the value for a customer.

Achieving Fit

The objective is to align the customer profile with the company's value offer. This step is realized through the process of prioritization of each identified gain creator, pain reducer, and product or service according to their importance to the customer, from "nice to have" to "must have". When the fit is achieved, the offerings cover the most important customer pains and gains.

Differentiating the model is one of the important parts. Here the company assesses its competitive advantage in terms of its product or service and its value proposition should

be unique and different from those of its competitors in the market. (B2B international, 2024)

To summarize, the Value Proposition Canvas is a strategic tool that helps organizations make sure that their offerings are exactly what customers want. Through the development of a customer profile as well as a value map that shows how a company's value proposition addresses the profile, organizations can come to a strong market fit, differentiate themselves from competitors, and ultimately provide products and services that their target audiences are eager to purchase. (Osterwalder, 2014)

1.4. Brand Development Framework

Taking inspiration from the Floor (2006) model for effective brand development, it's crucial to follow a certain framework which said author provides. There are many theories on how to approach branding, but it's always necessary to select or modify these approaches to ensure the theoretical framework is fully applicable to a specific brand, covering all its unique aspects. The goal of brand management is to influence how customers perceive the brand to its advantage. The initial step is always the creation of a brand strategy that should align with its identity, which includes positioning, brand personality, and communication style. Developing the right identity is a lengthy and challenging process, further complicated by varying opinions among marketing experts. Brand perception is influenced not only by its identity but also by the brand's target audience, interactions with the brand, its behavior, and the influences of other entities that interact with or respond to the brand. It is essential to communicate the brand identity effectively to customers through promotion and various forms of brand interaction, enabling customers to begin perceiving the brand.

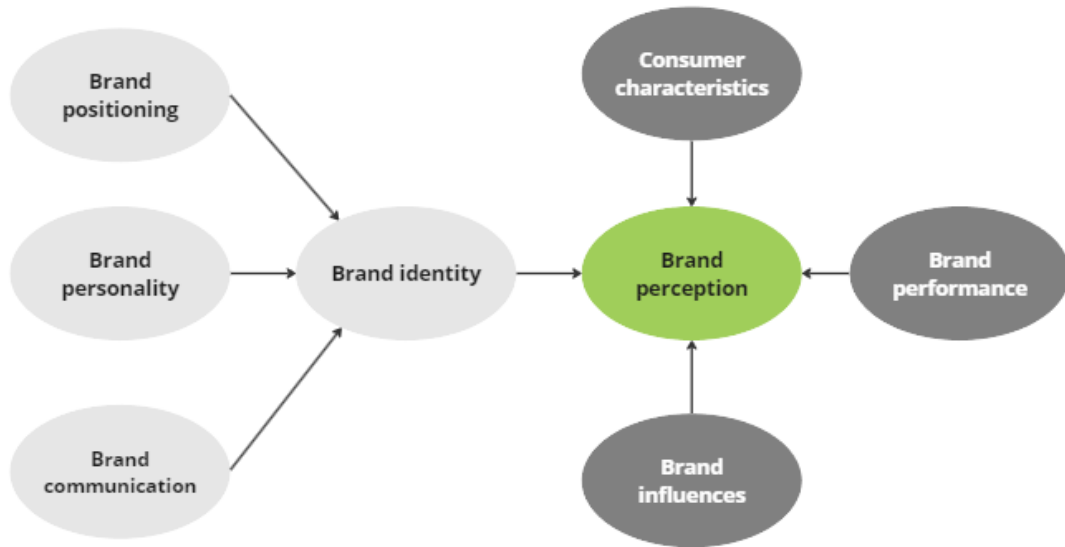


Figure 2: Brand perception influence Diagram (based on Floor, 2006, own processing)

1.4.1. Brand Ideals

A brand's identity must be rooted in the set and unchanging ideals that define it. These ideals are essential for a productive and creative process across business activities, such as launching a product or project, developing products or services, rebranding, collaborating on mergers, or establishing a retail presence (Wheeler, 2013). The standards for these ideals need to be bold, memorable, and relevant; instantly recognizable; consistently reflecting the brand and company image; clearly communicating the company's persona; providing long-term value; functioning well across different media; and being scalable (Wheeler, 2013).

Following are the characteristics of chosen key brand ideals as compiled by Wheeler (2013):

- **Vision:** The strongest brands are driven by a compelling vision articulated by an effective, passionate leader. Wheeler describes this vision as the "Big Idea," a courageous concept actively promoted by the company to inspire belief in the brand
- **Authenticity:** This refers to a brand's self-awareness and making decisions aligned with it. Brands that are confident in their identity and values build a strong foundation for an authentic and enduring brand presence

- **Differentiation:** In a marketplace saturated with brands and advertisements, Wheeler stresses the importance of brands clearly demonstrating their uniqueness and making it easy for customers to understand and appreciate this distinctiveness
- **Value:** Wheeler emphasizes that the primary goal for most companies is to create brand value. Discussions around consumer value have expanded with the pursuit of sustainability, encompassing social responsibility, environmental awareness, and profitability. A brand's value is supported by its identity, which includes all tangible expressions from packaging to websites.

1.4.2. Brand Identity

Having highlighted the elements of brand and their importance for a company now it is time to look at the cornerstone of this topic and that is brand identity. This concept stands as one of the essential pillars of a brand and its functioning.

Brand identity can be understood as the expressions and messages conveyed by an organization's brand. It provides direction, purpose, and meaning for the brand, influencing how a company wishes to be perceived by its stakeholders (Lalaounis, 2021). Essentially, a brand's identity can be understood as its DNA, comprising various components that collectively shape all the key aspects of the brand itself (Kapferer, 2012). The necessity for a differentiated and unique identity became apparent when brands began to appear too alike, leading to confusion among consumers. Thus, identity plays a crucial role in differentiating brands.

To clarify, Kapferer (2012) explains the important distinction between brand image and identity, emphasizing that identity should come before the image. A company must fully understand what it represents before projecting an image to the public, making sure that it communicates the right messages to its audience. This building-block of identity dictates how a company presents and perceives itself and how it interacts with the external environment.

Brand Identity Prism

This theoretical model, designed by Kapferer, defines brand identity through a combination of six components. The identity prism visually represents this concept, with the brand's core values at its center. Kapferer (2012) identifies these six elements

as the cornerstones of a brand, forming the essence of the brand's character and beliefs, and by that positively impacting the customer. A depiction of the brand identity prism is shown below as well as the six key elements.

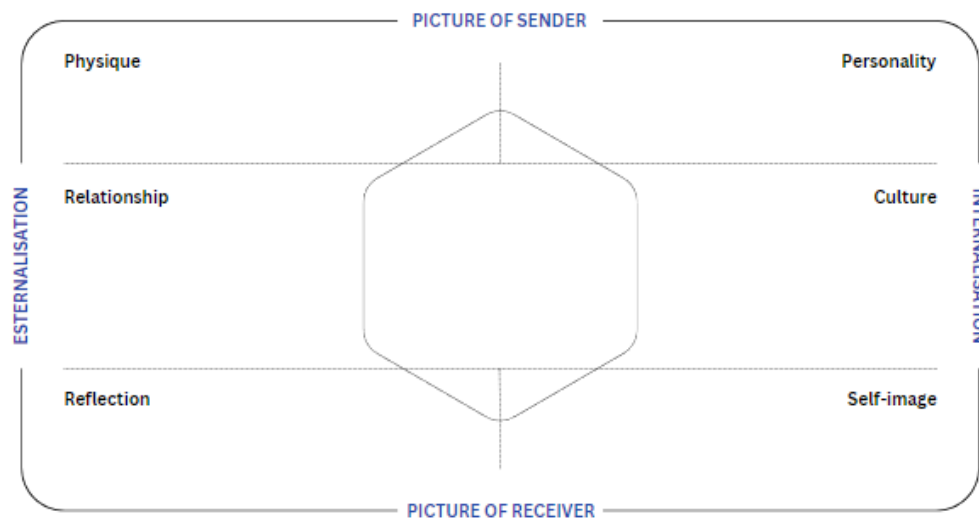


Figure 3: Brand Identity Prism (Based on Kapferer, 2012, own processing)

- **Physique:** the tangible qualities that come to mind when the brand is mentioned. The brand's physique forms its backbone and tangible added value. While physical attractiveness is crucial, it's not the sole consideration. Establishing a brand's physical attributes is the initial step in its development, clarifying what the brand is and does.
- **Personality:** a brand develops a personality through its communication. If a brand were a person, its way of discussing its products or services would reveal its personality. The tone and style of its advertising are largely shaped by this personality.
- **Culture:** brand embodies a culture in itself. Strong brands project a worldview, extending beyond just personality or products to include almost a philosophical aspect. This cultural aspect is crucial for a company's identity.
- **Relationship:** brands establish relationships. This is particularly true for service-oriented brands and retailers, affecting how the brand behaves, delivers services, and interacts with customers.

- **Reflection:** this element involves how customers see themselves in relation to the brand. Reflection should not be confused with the target demographic, which describes the potential consumers of the brand. Reflection is about how consumers want to be seen as a result of using the brand.
- **Self-image:** reflects how the brand speaks to the customer's internal perception. This self-image is the customer's internal reflection, influenced by their relationship with the brand.

1.4.3. Four bubbles framework

This theoretical framework lays a foundation for the analytical part of the thesis, for each of the three main bubbles is a point of study and investigation. The four components or bubbles which interconnect make up the model which demarcates brand identity and demarcates brand strategy (Zich, 2021). For the case of the Pastelle Apparel brand, this strategy is inextricably linked with its identity. Thus, the identity planned to be developed in the Proposal section provides a basis for the strategy.

The figure below illustrates the Four Bubbles Framework:



Figure 4 : Four Bubbles Framework (Own processing based on Zich,2021)

1.4.4. Brand Positioning

Brand positioning acts as an extra method of differentiating a brand from its identity. It is about highlighting the distinctive qualities which make the brand stand out from its

competitors and appeal to a wide audience. Brand positioning ensues from a comprehensive analysis process, in four pivotal questions (Kapferer, 2012)

- **Brand benefits:** Recognizing which guarantee relates to the customer, quality, or ethical manufacturing processes.
- **Target audience:** Segmenting the target demographic and customer personas.
- **Reasoning behind the promise:** Constructing strong supportive grounds that reinforce the main benefit or benefit what's offered
- **Competitors:** Recognizing the main competitors in the market.

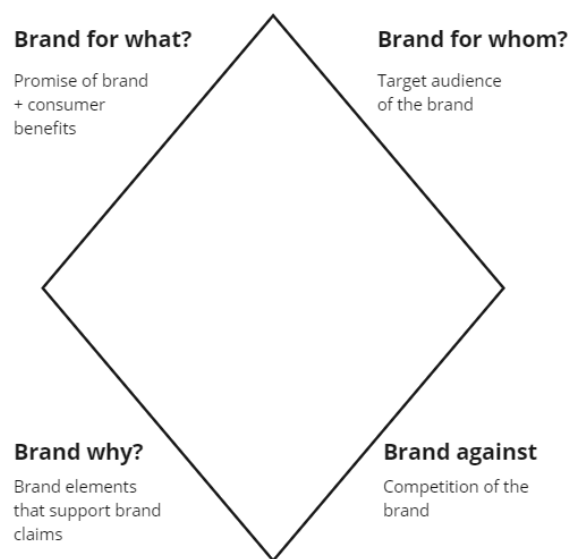


Figure 5: Brand Diamond (based on Kapferer, 2012, own processing)

Kapferer (2012) argues that positioning is aimed at revealing and reaping a convincing buying rationale, granting the company with a physical or imaginary competitive edge. This indicates a promise to hold a place in the market. Positioning is the rivalry stratagem which looks for the most appropriate method of occupying a competitor's market share. It may evolve over time as the expansion is by the extension of the competitive sphere. Contrarily, identity stays more rigid and everlasting, tied to the brand's beginning and defined boundaries.

1.4.5. Brand language and communication

Brand language and communication constitute essential components of a brand's identity. They enable a company to articulate its ideology and connect with its audience effectively. Kapferer highlights brand language as a fundamental aspect of brand identity, essential for communicating elements such as logos, names, and overall brand style to the target audience (Kapferer, 2012). Brand language plays a crucial role in establishing a unique brand personality through a specific set of words, phrases, and terms that reflect the brand's mission, values, and offerings (Jordan, 2021). Moreover, effective communication and strategic use of brand language are seen as vital marketing tools that can reshape customer knowledge to align with the company's objectives (Lalaounis, 2021).

Communication through Social Media

Among the various channels for brand communication, social media is particularly significant due to its relevance to the latter parts of this thesis. Social media has revolutionized how consumers interact with brands, challenging traditional dynamics across a wide range of industries (Lalaounis, 2021). It facilitates direct communication between companies and consumers, fostering a shared dialogue on platforms such as Instagram, X (Twitter), Facebook, LinkedIn, among others. Furthermore, as noted by Lalaounis (2021), social media is pivotal in enabling customer-to-customer interactions. Such interactions allow consumers to exchange information about the brand, contribute to its meaning, and collaboratively shape its public perception. This modern form of engagement extends the reach and impact of traditional word-of-mouth in a digital context, amplifying the brand's presence and influence through prolonged, community-driven discussions.

1.4.6. External factors of brand development

Since brand does not exist in a vacuum but rather a complex environment made up of several factors, it is important to consider them in relation to brand development.

One of the tools that might help this analysis is the well-known **SLEPT** model. This analysis is crucial for planned expansions as it helps identify changes in the social, legal, environmental, political, and technical environments of a country (MBA Skool Team, 2024) Since the expansion is set for a foreign market in Hungary, this

understanding must be comprehensive and complete, thus creating the need for this analysis. A graphical depiction follows.

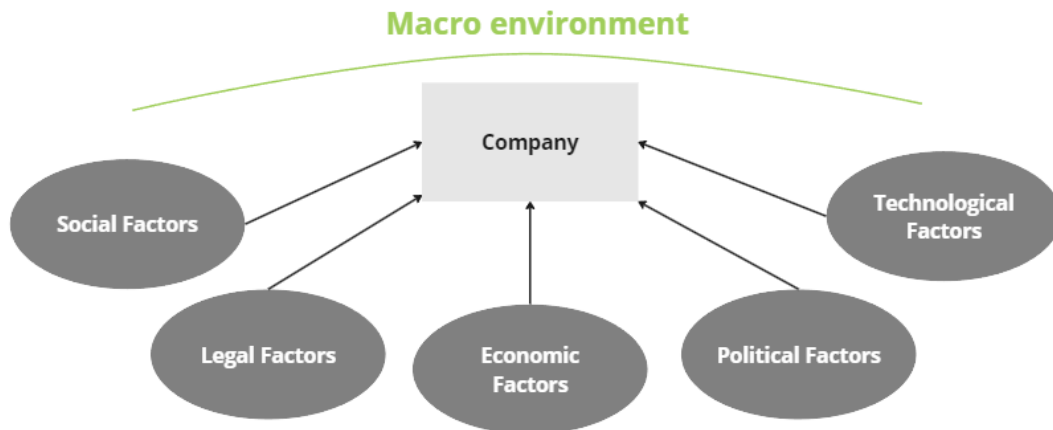


Figure 6: SLEPT framework (based on MBA Skool 2024, own processing)

The main objective of this analysis is to discover opportunities, influences, and constraints within the macroeconomic influences of a specific country. It aims to answer questions about which external factors affect a business, why they influence that particular business, and the potential impacts of these factors.

1.5. Benchmarking

Benchmarking a brand's identity against competitors in an audit involves a structured evaluation process that compares various elements of brand identity across different companies and will be used in this thesis to gauge the competitive forces on the Hungarian market. (Brown, 2024)

This assessment focuses on how brands communicate their values, personality, and promises across multiple touchpoints like logos, websites and social media presence and communication.

The scope of benchmark is determined based on which elements of brand identity are most relevant for assessment and which competitors are applicable for comparison. Factors considered include market positioning and the extent to which competitor brands share similarities or exhibit distinct differences.

Data is collected from predefined locations and can be both qualitative, capturing the aesthetic and communicative aspects of brand identity, and quantitative, measuring the effectiveness of these communications. Tools such as analytics platforms and customer feedback mechanisms are typically employed to gather this information.

The collected data is then analyzed to assess how a brand's identity is in line with its strategic goals and how it stands out from competitors. This involves looking at how well the brand's identity resonates with its target audience and adapts to evolving market demands. (Brown, 2024)

Based on the insights gained, strengths and areas for improvement are identified. Strategic actions are prioritized based on their potential impact and alignment with the brand's overall strategy. This might involve enhancing certain aspects of the brand identity or re-aligning elements that do not effectively communicate the brand's core values.

1.6. International business

International business is rather complex in nature because of the added complexity of cross border transactions. This aspect raises unique complexities in the governing of the business systems and dealing with cultural and practice diversity, it is largely determining for firms' choices to go global or not, and if so, how. (Thompson, 2021)

One way to grow is by venturing into international markets, which has several benefits such as improving customer base, increased revenue levels, improved risk management and cost. However, finding one's path through the inevitable intricacies and costs of market entry is not an easy task, frequently mistaken for a broader phenomenon of globalization. Internationalization means the process of transforming a product, service, operations to increase international media, different from globalization which is an attempt at establishing worldwide name recognition. This procedure requires a keen knowledge of differences in cultures and the preferences of markets in different countries, essential for any successive business owner in different markets. Internationalization addresses such market specific changes while globalization is a broader approach aimed at integration with the global operations to attain a competitive position in the global market. Companies enjoy internationalization due to the ability to

explore new opportunities, increase market penetration, and acquire and maintain a competitive edge on an international scale. (Thompson, 2021)

Today, international business includes activities ranging from trading goods overseas, to partnerships through cross border contractual agreements and foreign investments. It needs a profound understanding of how these activities have a roiling effect on both domestic and international territories along with market influences, states, agencies, and humans. Global enterprises survive the dynamic nature of the world's marketplace diversity and manage global orientation risks through strategic, organizational, and functional decisions. This is dictated by the decisions that are made whether a company will be run as a multi-domestic organization with different subsidiaries or that its operations will be integrated globally in most cases blending part of the two strategies.

Such intricacies should be attributed to the requirement of the segment's products and services in accordance with the culture of demographics they are targeted at, which is a multi-domestic strategy. On the other hand, a global approach to marketing sells products and services using a common strategy within various nations or across the globe without much consideration of local tastes. (International Relations EDU, 2024)

International business allows an unlimited number of benefits, but the primary one is to take advantage of the different comparative advantages. This economic concept makes countries prosper by exporting products that require only limited factors of production compared to import ones as the cost of domestic production would be higher. This transaction creates a better supply of goods and services; competition among the companies is promoted that increases innovation and increasing efficiency, which eventually brings benefits to the consumers in the form of elevated products and technology on a much more global perspective.

Finally, the latter part of the twentieth century experienced a monumental surge in international business facilitated by technological advancements, trade, and investment liberalization policies as well as global institutions such as the World Trade Organization. These advances have created a level playing field for small- and large-scale companies, both local and international, thus leading even the smallest firms to engage in transnational trade.

International business is complicated with difficulties. Firms have to report and manage across different economic systems, political terrains, and cultural settings. This range of economic development comprises established and industrialized nations on one end of the spectrum to emerging and less developed markets. The political factors are a) the nature of political regimes in foreign states and b) their willingness or openness to international firms. In cultural terms, businesses are supposed to observe the way things are done locally and adopt them as they seek to enter a certain market with the intention of establishing their success in that same market. (International Relations EDU, 2024)

Furthermore, the business competition in international trade is dynamic and unstable following the interplay economic, political, and cultural changes both within and across nations. Firms should be vigilant of technological innovations and keep their set-ups flexible in terms of functional integration and resource allocation. It is therefore critical for business to not only understand the factors but also how to handle them properly in order to succeed in the global market.

In conclusion, international business is a field of activity that presents rich opportunities for development, invention, and competitive strength. It involves firms to be good at handling the intricacies of global operations, from grasping local market tastes and navigating the regulatory mazes to capitalizing on the global network production and integrating cultural differences. With the world economy deriving from interrelations, the impact of international business in economic development, cultural support as well as technology advancement is soundly key. (International Relations EDU, 2024)

1.7. Globalization

Globalization symbolizes an important process of integration between countries and people across the planet, a construct which has significantly changed over time from interest economic to involve other aspects. As discussed by Cavusgil (2019), the years of international business saw the globalization as the phenomenon that mostly took place in the economic realm bringing out the tendencies to a more unified and interdependent world economy. This economic globalization, as a process, is consolidated by international integration of products, technology, information, labor, and capitals which essentially merge historically segregated national markets into one all-encompassing worldwide market.

The conception of globalization goes further in the realm of market globalization as Cavusgil (2019) explains that it is a progressive process and increasing interdependence with national economies. This concept is unique yet closely related to the idea of world marketplace, term for which is derived from Theodore Levitt's work who defines it as the idea of uniting national markets into one huge global market. This view of globalization stresses the strategic significance of global marketing as well due to the fact that this merging of nations requires a certain business tact in order to be successful.

Cavusgil (2016) goes on to discuss the economic dimensions in more detail and introduces the globalization of production referring to international outsourcing strategies aiming at advantages based on differences in production factor costs, e.g., labor, energy, land, and capital costs between national systems. This part of globalization normalizes with the operational techniques that business organizations use to achieve high levels of productivity and supply chain efficiencies on a global basis.

Besides economic implications, globalization is also approached from a wider look point; it includes socio- economic reforms geared towards abolishing trade, investment, cultural, information technology and political boundaries across countries. According to Cavusgil (2019), this wider definition indicates the possibility of globalization leading to the higher development of economic growth and geopolitical interaction and interdependence among nations on Earth. It emphasizes the sophistication complexity of global uses that transcend economic transactions to shape cultural interactions, political interplays, and international relations.

The process of technological globalization, driven by the development of information technology and the falling costs of interstate communication, has been a vital contributor to the pace that globalization took. This process has been significantly shaped by the development of global companies like Google eBay and Facebook, despite the prevalence of strong national and foreign competitors. These companies didn't only cause economic aspects of globalization but provided cultural and social networks across frontiers thus illuminating the complicated interdependencies encompassing the globalized world.

In conclusion, globalization is an onion term which goes beyond mere integration of economic aspects to also encompass social, political, and technological aspects. Its

global consequences for international business are profound, necessitating a change in corporate strategies that can additionally find appropriate solutions to the advantages and threats of an interdependent globe. Knowledge of the specificities of globalization and its different aspects is crucial for companies, which would like to be successful in this dynamic and interdependent world full of continuous meetings between the global and local, where these two levels do not remain unchanged but reshape the whole international arena.

1.7.1. Focus on SMEs

Globalization has contributed in large measure to the internationalization of Small and Medium-sized Enterprises (SMEs) which is a combination of push and pull factors. The push factors arise from firms' desire to seek further growth, and this is usually achieved by venturing into foreign markets which are perceived to be promising, including highly lucrative growth markets. Successful SME internationalization can depend on a series of lucky events, and it does not necessarily follow the result of careful strategic planning. In most cases, SMEs get into the foreign market in a passive reactive way. Cavusgil (2019)

- Domestic suppliers for inputs used in the products exported from larger enterprises.
- Importers and distributors of goods other than from SMEs in foreign countries.
- Supporters of services related to international trade transactions such as inland transport and freight forwarding.

Export-oriented processes, initiated by slow internationalization or an intensification of the global outward stage through time. The second category is strategic choice, where firms make intended and deliberate choices and actions to unveil the strategies of internationalization.

External factors, namely the availability of external resources, are key to explaining how SME's perform in international markets. Successful SMEs are market sensitive in that they take note of imperfections and seek to create successful niches within which they can operate successfully. The niches of these companies typically consist of huge market shares, which are concentrated across varying core markets within a selected segment. The ability of SMEs to successfully break markets into the international market is dictated by issues like product quality, consistency in delivery, quality of

management, sales personnel acumen, problem-solving skills, and client relations. Cavusgil (2019)

Even though no universally acceptable model for SME internationalization is available, five important factors such as: Resource availability, foreign market familiarity, communication networks, perceived risk and uncertainty, and managerial willingness have been reported as critical variables influencing the gradual path to internationalization.

- Domestic stage involving operating within its own country.
- Conditions for this inward stage are the import of ideas, resources, and technology to be able to establish a niche in the domestic market.
- Outward phase by outbound processes such as export and sales subsidiaries as well as cooperative processes involving joint ventures with foreign partners
- Stage of collaboration during that firms take into different agreements in different regions as the globalization matures.

1.8. Internationalization of businesses

The internationalization discourse in business has been largely discussed by many scholars because of the key implications that it affects various strategies at different levels such as human resource and marketing etc. Indeed, researchers have discussed at length, especially for the case of service and manufacturing sectors, whereby two schools of thought have been raised.

A point of view says that services are a different kind of entity, and hence new theories must be formed to explain the working ways in all possible ways. A focus in this viewpoint is the unique character of services which suggests that some of those basic manufacturing-centric theories may not provide appropriate explanations for the complexity of the service-based internationalization. (Bandi, Bhatt, 2008)

On the contrary, a different perspective claims that several superficial principles already observed in manufacturing can be implemented directly in service contexts. Proponents of this view contend that even though the services may have a certain way of manifestation, there are some basic principles and processes which apply in all other sectors.

Internationalization has been subjected to extensive research and development, which provides an opportunity to develop theories and models in the field of internationalization. These theoretical frameworks capture a range of approaches that attempt to describe and explain the behaviors and strategies that firms undertake in order to make an entry into global markets. The theories discussed above present instructive perspectives into the complicated process of building and maintaining trans-national organizations. (Bandi, Bhatt, 2008)

In the field of internationalization, one of the leading models that stand out is Uppsala's internationalization model. This model coupled with the six steps model has played a critical role in improving our understanding of how SMEs do internationalization using the foreign country as an entry point. Thus, by means of a critical analysis of the variety of models and theories within the field that constitute the manifestation of international business operations, researchers can derive an encompassing approach to shed light on numerous factors and variables that affect the inception and sustainability of foreign companies. Moreover, such frameworks explore the field of international product strategy, including important aspects including product adaptation and standardization plus how many factors help in decision-making.

1.8.1. International online marketplaces

An internet marketplace functions as an e-commerce site that provides a link between those who sell and those who need to purchase. These are also known as electronic marketplaces, which provide the website owner with complete control over transactions that occur on their websites. (Sana, 2024)

Companies use marketplaces that are found online as a way of getting in touch with potential customers who need their products and services. Major players in the online marketplaces are amazon, eBay and to focus on the Hungarian market as larger aspect of eMag and Árukereső (Horák, 2021)

The main benefits of utilizing this retail resource can be described as the following:

- **Additional Source of Revenue:** In addition to other revenue channels, online marketplaces provide an additional source of income.

- **Reduced Marketing Costs:** So, the businesses can reduce the amount spent on marketing as they use the already available customer base of these sites.
- **Internationalization:** Online marketplaces are a door to the outside world for businesses that are looking to operate on a global level.
- **Transparency:** They provide transparency in availing products, stock holding, and price.
- **Price Comparison:** It allows for the easy comparison of prices across a vast diversity of options.
- **Trust Building:** Selling on trustworthy online site enables the brand to build relationships with the customers.
- **Wide Range of Options:** A diverse variety of products is a quality that every business should have because it will encourage the customers to make more purchases from a business. (Sana, 2024)

Businesses must choose between selling their commodities through an online marketplace or via their e-commerce website which essentially depends on the nature of one's goals and peculiarities.

1.9. International e-commerce expansion

In the realm of e-commerce, there exist numerous avenues for expanding the business, allowing for increased revenue while simultaneously enhancing brand presence and customer base. Among the most accessible methods for expanding an e-commerce enterprise lies in international e-commerce expansion, with cross-border e-commerce playing a pivotal role in facilitating the growth of online retailers, from small-scale enterprises to industry giants. (Mitchell, 2024)

e-commerce expansion entails extending the business reach via online channels, enabling products to be marketed across new markets and territories, whether locally or globally. Whether opting for expansion through marketplace platforms like Amazon or through proprietary e-commerce platforms, the potential inherent in new markets is significant, offering opportunities to diversify product lines and penetrate different industries based on the preferences and demands of the target audience.

The advantages of international e-commerce expansion are manifold. They include the ease with which sellers can establish a presence in new markets, enhanced brand visibility through various e-commerce platforms, and direct access to consumers in previously untapped markets. (Dublino, 2024)

Additionally, successful e-commerce expansion requires meticulous planning and execution. Key steps include assessing marketplace demand for products in the chosen location and platform and tailoring product listings to resonate with local audiences through authentic imagery, translations, and messaging. Failure to understand and adapt to local preferences can alienate potential buyers and impede expansion efforts. (Dublino, 2024)

1.10. Summary and evaluation of theoretical part

In the theoretical part of this thesis, resources were drawn from both book publications and online sources focusing on brand, brand management, e-commerce, and international business. The definitions of key terms such as brand and brand development were framed through various perspectives from notable experts in the field.

An appropriate brand strategy framework has been created in part based on model used in the practical part of this thesis is the brand perception model by Floor and 4 bubbles framework by Zich.

The framework was optimized for this thesis in regards with the aims of international business expansion and has key elements founded on brand identity, positioning, and value to the consumer.

1.10.1. Brand Development Framework

This is the cornerstone of the proceeding parts of the diploma thesis as the next parts will be taking into consideration this framework here developed for the purposes of expanding the Pastel Hood brand into the Hungarian market and making the brand be able to fit and compete on such market.

The framework as mentioned is taking the Floor and Four bubbles frameworks in mind to construct a model to fit the purposes of this thesis and is comprised of the following.

Brand Strategy

- Brand Identity: Core elements defining the brand.
- Brand Communication: How the brand talks to its audience.
- Brand Vision and Mission: Long-term goals and guiding principles.
- Brand Style and Image: Visual elements that make the brand recognizable.
- Brand Positioning: The brand's market standing relative to competitors.

Brand Perception

- Consumer Characteristics: Demographics and preferences of the target market.
- Brand Story and Associations: Emotional and narrative connections formed with consumers.
- Brand Value Proposition: The unique value the brand promises to deliver.

External Influencing Factors

- Market Environment: Economic and commercial conditions impacting the brand.
- Consumer Opinion: Public sentiment and feedback about the brand.
- Competitive Forces: Impact of competitors on the brand.
- Trends of the Industry: New technologies and shifts in consumer behavior affecting the brand.

Table 2: Brand Development Framework (Own Processing, 2024)

Brand development framework			
Brand strategy for Hungary		Brand perception in Hungary	
• Brand identity	• Brand vision and mission	• Local Consumer needs	• Brand associations
• Brand communication in HU	• Brand positioning	• Brand value proposition	
Internationalization aspect - External influencing factors			
Hungarian market environment	Hungarian consumer opinion	Competitive forces in Hungary	General trends of the industry

2. Analytical part

This section of the diploma thesis centers around the careful study of various data from their gathering and analysis concerning the main cornerstones that will play part in the final recommendation for Pastel Hood in regard to the planned expansion into the HU market. This analytical segment aims to cover the current state and objectives of the owners of Pastel Hood, an analysis of the Hungarian market based on secondary macro data, identification, and analysis of existing and relevant competition on the market and interviews with Hungarian expansion ecommerce experts to gauge their view on this given project and subject matter.

2.1. Introduction of the company Pastel Hood

This part takes a look at a snapshot of the brand Pastel Hood as of today to see the current state of the brand that aims to expand abroad. This process was done in collaboration with *Petra Magdalena Mikusova* who is the current brand executive. Her collaboration has manifested itself in connection with guiding parts of my current state analysis such as brand identity communication and so on as well as answering direct questions about the motive to expand her brand abroad.

- **Company name:** Pastel Hood s.r.o.
- **Established:** 2022, Slovakia
- **Industry:** Fashion (streetwear), e-commerce

Pastel Hood originally started out under a different name and was the subject of the bachelor thesis that the author has written in which the brand and the brand identity for the company was conceptualized and subsequently created. The actual business has been founded as a legal entity in Slovakia by two co-founders who have been brought into the project later on to help it grow and develop.

While the name has undergone a change due to some trademark challenges the core vision and idea of the brand that was explored and created in the thesis still applies and has been the core guiding principle in making the brand function.

The core mission of this brand and company is to produce and sell high quality fashion products that come in distinct pastel color variations (as per the brand name). When

coming up with the idea for the brand this has been seen as a gap in the market since not many competitors were identified to have their brand focused on this kind of product.

The overall mission is to always provide the highest possible quality of products which the customers can feel good about and in turn promote the brand as brand ambassadors which identify quite heavily with the brand messaging and communication.

The targeted segment is geared toward streetwear which is a sub section of the fashion industry that combines luxury comfortable materials with a youthful casual style of clothing appealing to the “cool factor”. Furthermore, the brand itself and its values play a key role in the customer perception and their buying habits since they are looking for a community aspect and status symbol often associated with these products.

Our place of business is at the moment purely e-commerce through its own online store.

2.2. Current state of the business

At the moment the business is fully functioning Slovakian legal entity (s.r.o.) with an online store that can be accessed on the following URL address: <https://pastelhood.sk/>.

To further illustrate the current activities of the brand the following areas are to be explored to gain a full image of the state of today.

2.2.1. Motivation for expanding the business

This segment focuses on the key question of why the owner of the brand is entertaining the idea of expanding their business internationally and it serves as the reason of the existence of this diploma thesis.

When asked if they have thought about the possibility of expansion prior to the inception of this diploma thesis, the author confirm that they indeed wanted to expand beyond Slovakia and Czechia with the primary reason being the ability to capture a new customer base and widen the market reach and potential.

Furthermore, the owner has stated that *“We do not aim to expand into developed and over saturated and way more expensive western market such as Germany or Austria since the costs of doing so, be it logistical or marketing would be too much to bear”*.

When asked in a follow-up if they had in mind the ideal first destination for the expansion of their business, the goal of entering Hungary has been stated. The author

has been quoted as saying: “When it comes to expansion east, Hungary is close, and it is a still developing and less saturated market leading to possibly higher chances of success. Add to this that logistically and culturally there should be fewer roadblocks. We have also thought about Romania but that would be probably best suited as an addition later on and not the first ever market to expand to”.

In addition to the preexisting experience of the author with this market it has been mutually decided that the subject of this paper will be the analysis and subsequent proposal for the expansion of Pastel Hood into the Hungarian market as it aligns with the goals of the brand owner and their strategic planning of their business.

2.2.2. Current brand presence and marketing

The business also has a social media presence at Instagram, where new content should be periodically added and scheduled in advance corresponding to market trends and seasons such as special sales and discount for the holiday season or for occasions such as Valentine’s Day. Instagram also serves as the sole marketing platform to gain traction to their online store.

By the admission of the owner (Petra Mikusova) this was not always as up to date as she is quoted as saying:” *While we have been trying to keep up with the seasons and making posts and promo actions for our store, we have not always had the time to catch up and have maybe lost some sales because of that*”. When asked the follow up question of how this could be remedied in the future this response was given: *“Planning ahead more and scheduling posts would be helping a lot as we would not have to schedule shoots and make marketing graphics at the last minute. A deeper planning of all upcoming special events and seasonal shopping peaks would also be beneficial for us to help us plan way ahead of time.”*

The promotion of the online store and the business has been conducted mainly by utilizing influencer marketing on Instagram. At the present moment the business is still finding its standing on the domestic market with the hopes of continually establishing itself, which is inherently a long-term process.

What the owner sees as the success is the collaboration with famous Slovakian influencers and online personalities that each have hundreds of thousands of followers

on their respective Instagram accounts. This was, by the admission of the owner, a good selling tactic as it resulted in a peak in sales by their estimate.

2.2.3. Marketing performance - Instagram:

As the Instagram platform is the only platform, where the brand was active in, it is the only platform with data to analyze. The Instagram page currently has 434 followers with 42 post. The post focus on displaying the products, hoodies, worn by the models as well as specific discounts or promo events tied to their online store.

Other category of posts could be described as promotional od advertisement posts are the recommendations and indorsements of several Slovakian personalities and influences who are wearing and recommending the hoodies.

Based on the provided data by the owners (Pastel Hood Instagram, 2024), the average increase in followers is about 1 per week with periods of no gain but no losses either. This by the admission of the owner is not the best statistic and when questioned as to the potential cause for this, the frequency of posts and lack of relevant targeting and paid promotion was given to me as the possible result.

The owner has also admitted that the only significant gain in followers was when the influencers that they had partnered with endorsed their products. Other that this promotion, only limited advertisements were run with budgets up to a 1000 CZK per month at the maximum. (Pastel Hood Instagram, 2024).

Since the influencers were close friends or acquaintances and by the admission of the owner Petra, did not charge anything, then it can be stated that the majority of the follower base was acquired organically (without paid ads).

2.2.4. Current product range

The product range that the brand offers is the original product that was proposed and developed in the bachelor's thesis. It comprises of a hoodie in three distinct color-blocked colorways. The picture below is a direct capture from the e-shop and is the one and only current product offer (in three distinct colorways). (Pastel Hood online store, 2024)

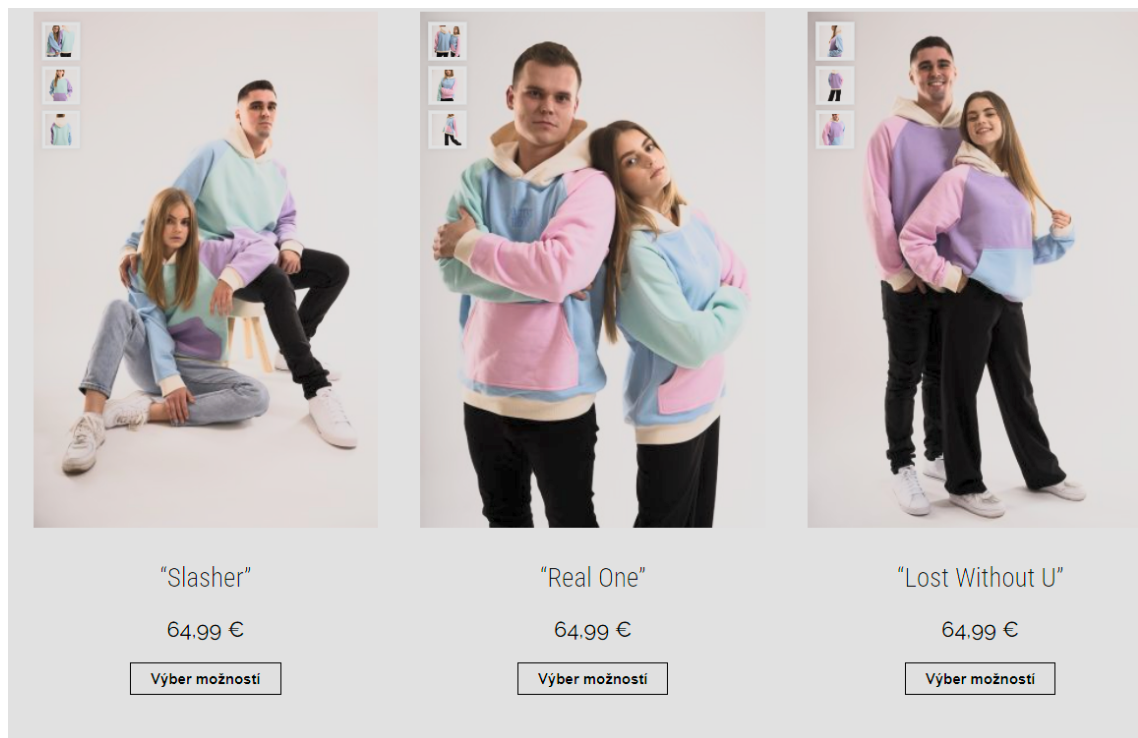


Figure 7: Pastel Hood product selection (*Pastel Hood, 2024*)

When asked about the current product selection the owner has described the desire to extend the range to be able to offer clothing items that can be worn all year round by introducing shirts or lower body apparel options as well. The owner has also admitted that this has been delayed by the lower sales numbers and by the reluctance to take on additional financing to expand the product range. However, the company holds the stance that they aim to extend the product range when possible as they are aware that the lack of options may limit their staying power and customer retention as it is unlikely according to her that a customer will return to buy the same product in a different color option, reducing the remarketing potential.

2.2.5. Current brand identity

To further demonstrate the brand fundamentals, the Brand identity prism based of Kapferer’s methodology is displayed below. This prism has been created in collaboration with the owner of Pastel Hood (2024) and captures the current state of the brand.

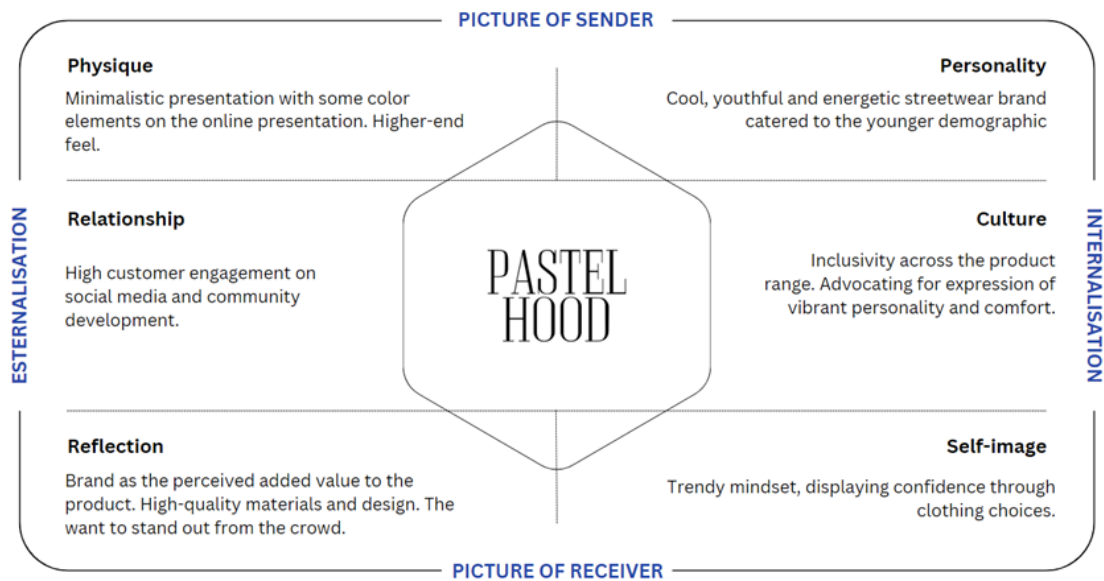


Figure 8: Pastel Hood Current Brand Identity Prism (based on Kapferer, 2012, own processing)

Physique: Visual identity is highlighted by a simple aesthetic approach with pastel toned color accents in its online presence, which communicates premium status. This simple style is a tangible representation of the brand's visual identity, including logo design, color palette, and general design of the clothes and digital interfaces which the brand uses.

Personality: The brand represents a youthful, and high-spirited image. In addition to the style of its products this is seen in the language of advertising and social media activity. The character is built on the success of a charismatic youth persona, which is exactly what the young demographic can relate with and what they aim to have.

Culture: The brand culture is based on the concept of inclusion and support for personal expression, and it is these values that are presented. The 'value dimension' refers to the set of values and principles that the brand stands and holds, which is the case in this instance, as it is a celebration of diversity and community among its customers.

Relationship: The relationship facet is aimed at the social media presence, which emphasizes the brand's engagement with the customers and community development. The brand conceives itself as a companion which goes through the fashion way with their consumers and aids them in the full expression of their individuality.

Reflection: The brand aims to be a positive added value to the self-image of the buyer by using high-quality materials and unique designs. The reflection does not just picture the consumers, but it is a representation of the image that the consumer would like to be seen in the unique way that the brand stands out in the market.

Self-Image: The buyer understands that by shopping at the brand they are playing a part in setting the trends, and they feel confident in their style statement. The brand empowers its customer to express their self-image via clothing choices, hence becoming a means for their individual identity and style preference.

2.2.6. Current brand positioning

Based on the diagram outlined in the theoretical section and focusing on the four components of brand positioning for Pastel Hood (2024) the current brand positioning may be described as the following:

Brand for What?

- **Promise of Brand:** Pastel Hood promises high-quality, interestingly designed streetwear that stands out through its use of pastel colors and new fashion elements. The brand also commits to offering fashion that not only looks good but feels good, meaning a commitment to quality and customer satisfaction.
- **Consumer Benefits:** Customers of Pastel Hood benefit from wearing unique, aesthetically pleasing apparel that aligns with current fashion trends while supporting sustainable practices that the brand preaches (local production). The products offer the benefit of style and comfort, appealing to a demographic that values fashion-forward clothing that makes a statement about their personal style and ethical values.

Brand for Whom?

- **Target Audience:** Pastel Hood targets young (teens to mid 20s), style-conscious individuals who are keen on expressing their personalities through their clothing. This audience is most likely to be more environmentally aware and prefers to purchase from brands that are committed to sustainability and local production as opposed to fast fashion. They also are a niche that want their apparel to make a fashion statement. The brand focuses on consumers who see their clothing choices

as an extension of their own unique identity and values, and by that they are seeking products that are not only fashionable but also have a story they can get behind.

Brand Why?

Brand Elements:

- **Visual Identity:** Utilizes pastel colors and clean designs to appeal to a youthful audience looking for differentiation in a crowded market.
- **Quality Materials:** High-quality fabrics that ensure comfort and durability, aligning with the brand's promise of premium products.
- **Sustainability Focus:** Emphasizes eco-friendly practices, from production to packaging, enhancing its appeal to environmentally conscious consumers.
- **Community Engagement:** Strong focus on building a community around the brand through social media engagement and influencer collaborations, creating a sense of belonging among customers.

Brand Against

- Includes global streetwear resellers and non-streetwear + streetwear local or foreign brands that influence consumer expectations in terms of fashion trends and sustainability. Pastel Hood sets itself apart with its unique color palette and design approach, aiming to capture customers looking for something different from the mainstream offerings.
- **Market Positioning:** Pastel Hood is positioning itself as a niche player within the streetwear market, offering distinctive designs that cater to a specific consumer segment that values both style and sustainability. By focusing on unique design elements and a strong sustainability narrative, Pastel Hood aims to carve out a space within the competitive landscape where it can stand out and attract a dedicated customer base.

2.3. Evaluation of the current state of Pastel Hood

Operating exclusively online, Pastel Hood aligns with modern retail trends that emphasize digital platforms over physical stores. This approach helps them reduce costs

but can also offers scalability and reach, essential for entering the international markets. However, the success of such a model heavily relies on robust digital marketing strategies to ensure that enough people are interested in buying the product. Based on the findings above, this area is thus far insufficient and needs to be tweaked.

Pastel Hood's marketing strategy leverages social media platforms, mainly Instagram to connect with a youthful audience that values contemporary style and community (target audience of the brand). Even though the brand has a defined target demographic and has strategic alignment, Pastel Hood brand faces challenges in maintaining an engaging and consistent online presence as is proven by their low engagement numbers on Instagram and an almost stagnant growth forecast on this platform. This is due to a variety of factors but mainly due to inconsistent posting and the over-reliance on organic reach as opposed to paid advertisement. Despite this, influencer collaborations and endorsements have successfully boosted the brand's visibility and sales, particularly with Slovak influencers who have large followings.

The product range currently consists of a limited selection of color-blocked hoodies. While there is a clear intention to diversify the product line to include all-season apparel, financial limitations and caution of the owner have delayed these developments. Extending the product range is crucial not only to meet broader consumer needs but also to stabilize sales throughout the year.

The brand identity, structured around Kapferer's Brand Identity Prism, effectively communicates a youthful, vibrant image supported by high-quality, unique designs. This identity is key in distinguishing Pastel Hood within the competitive fashion market.

2.4. External environment analysis

This chapter serves as the point of gathering data as a key part of the strategic brand development framework that encompasses the following key elements:

- Hungarian Market Environment – current state and attractiveness
- Hungarian Consumer Opinion
- Competitive forces in Hungary
- General trends of the industry

2.4.1. Hungarian Market Environment

This chapter asks the question, based on observable and measurable data whether Hungary presents an attractive market for the expansion of Pastel Hood and also to look at the general market environment as it concerns apparel online shopping.

Beyond just being geographically close to the origin country of Pastel Hood, the expansion into Hungary offers other strategic benefits. The market is growing and as the GDP increases it strengthens its position as a central European state (Focus Economics, 2024) with the forecast for GDP growth increasing to 2.4% in the year 2024, and 3.6% in the year 2025. The outlook for this anticipated growth is supported by the inflation and interest rates declining trend as well as household income increasing significantly due to a 15% minimum wage increment and an improved employment situation. Moreover, the recovery is expected to be supported by new FDI projects which not only create new jobs but also bolster exports. (European Commission, 2024) This in turn is a positive outlook for this market in general.

The sector is also seeing a rise in the use of cellphones for cashless online purchasing. (Expandeco, 2023) which makes it a more suitable place for an online based business such as Pastel Hood which relies on cashless purchasing and online shopping.

To gauge the actual market niche that being small to medium enterprises, we can see that Hungary had more than 980,000 small and medium-sized businesses operating there in 2022. Less than a thousand companies employed 250 people or more, but the great majority of these businesses only had one employee as expressed by the figure below. (Medve, 2023)

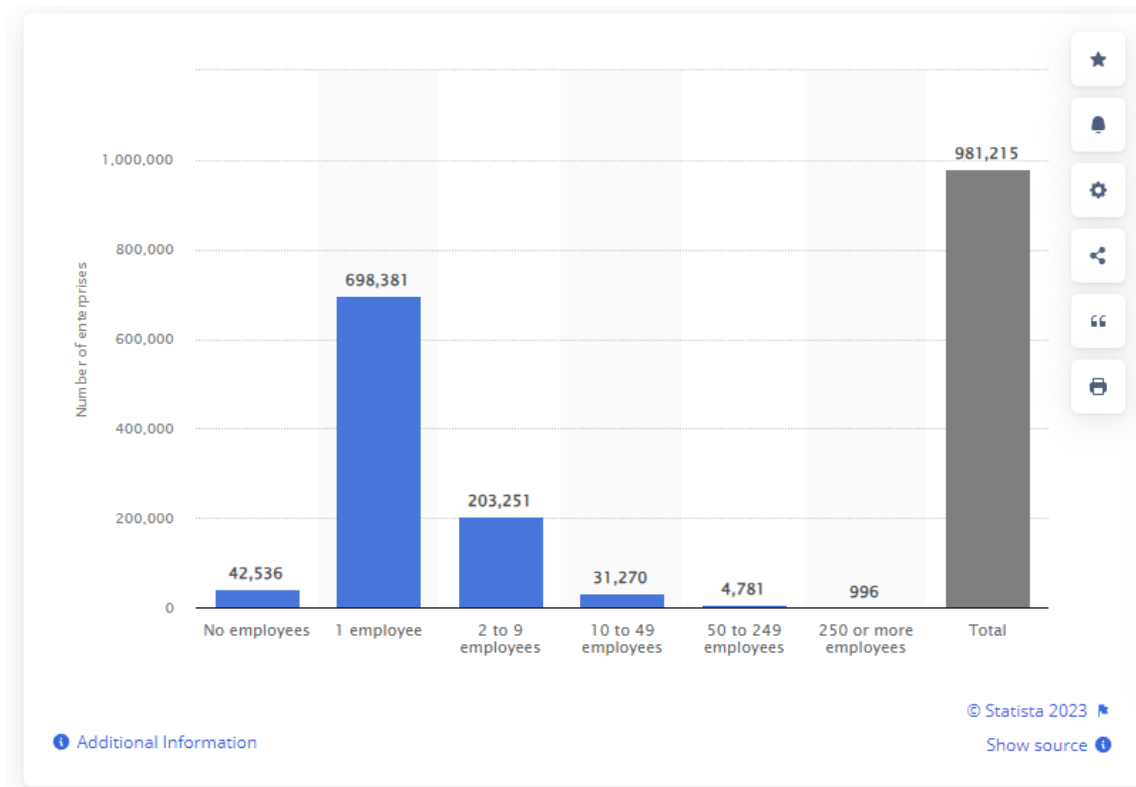


Figure 9: HU SMEs overview (Medve, 2023)

What follows next is an essential market environmental analysis that aims to target the niche of the fashion industry in Hungary in order to gain the overview of the market the company aims to enter in. SLEPT analysis.

Since the

The data used for the following analysis was gathered from aforementioned statistical data as well as agencies focusing on business expansion and cover these markets (NK Expand, 2023), (Expandeco, 2023).

2.4.1.1. SLEPT analysis

This part of the thesis will focus on each individual parts of the SLEPT analysis but with special emphasis on the clothing sector and online shopping which is relevant for the purposes of this thesis.

The data here gathered is in large part compiled from the agency NK Expand s.r.o. from Brno (2023) where the author has functioned as lead project manager and thus has access to internal documents. These documents are relevant for this SLEPT analysis as

the agency NK Expand is based around expanding CZ/SK online stores abroad (Hungary included) and contains knowledge on the Hungarian markets based on the know-how gathered in hundreds of individual projects.

- **Social Factors:** Hungarian customers are in fact very similar to Czech or Slovak customers in their buyer preferences. They are after quality products for a good price and expect their online stores where their shops need to be trustworthy (i.e. contain local phone number and currency etc.) (NK Expand, internal documents, 2023)

Furthermore, we can observe, that HU customers tend to prefer brick and mortar shops over online shopping as seen in data from Statista (2022) which places the online apparel shopping saturation at about 10-11% of buyers.

- **Legal Factors:** In terms of moving the brand abroad and to Hungary specifically, there are several key things that need to keep in mind. According to NK Expand internal documents (2023) an online store that seeks to expand to Hungary has the legal requirement to offer transactions to a Hungarian bank account in order to operate safely in this market.

Furthermore, it is essential that the business expanding to Hungary adheres to the e-commerce laws regarding the returns policy and general business policies regarding data gathering, cookies and GDPR that are in line with current EU trends. (2023)

- **Economic Factors:** According to NK Expand (2023) many Czech online stores decide to expand to Hungary for the purposes of overall lower costs in connection to lesser economic power of the country. This is then considered a favorable trend when choosing the optimal expansion destination for Czech / Slovak e-commerce players. The agency admits having records and hands-on experiences in helping over 42 Czech and Slovak e-commerce players help expand to Hungary, suggesting a trend to choose this destination.
- **Political Factors:** As observed in the internal documents of NK Expand (2023) a negative political influence might be tightening of restrictions and regulations connected to applying for the Hungarian bank accounts by foreign entities. Further, the same tightening of regulations was subsequently observed in the applications and purchasing of local Hungarian phone numbers as the providers once again restricted foreign entities in applying for them. These regulations have overall a

negative impact on the entrance of foreign ecommerce players to Hungary as a local phone number and local bank accounts are seen as two key elements by the agency NK Expand (2023) that may help foreign e-commerce players succeed on that market.

- **Technological Factors:** In Hungary, the proportion of online shoppers increased from 2010 to 2023. The surge in e-commerce participation in 2020 was spurred by the coronavirus (COVID-19) pandemic, leading to more than 79 percent of the population shopping online by 2023. This is a significant rise from less than 55 percent in 2019. (Statista, 2024).

In 2022, eMag emerged as the leading online marketplace in Hungary, with 64 percent of surveyed e-shop owners using it. Facebook Marketplace was the second choice, preferred by 45 percent of respondents. Árukereső secured the third spot, being selected by 42 percent of those surveyed. (Statista, 2024).

2.5. Assessment of the Market attractiveness

Hungary's market presents several strategic benefits for the expansion of Pastel Hood, particularly due to its proximity to the origin country and its market growth, as outlined above. With a forecasted GDP growth reaching 2.4% in 2024 and 3.6% in 2025, Hungary is strengthening its position as a central European economic player and should not be overlooked. The positive economic outlook is also confirmed by decreasing inflation and interest rates alongside increasing household incomes which leans favorably toward online shopping.

The significant rise in online shopping, propelled by the COVID-19 pandemic, has positioned Hungary as a lucrative market for e-commerce businesses. By 2023, over 79% of the population engaged in online shopping, a steep increase from less than 55% in 2019. This shift is particularly relevant for Pastel Hood, which operates exclusively online and benefits from such an environment. Furthermore, the popularity of platforms like eMag and Facebook Marketplace indicates a well-established digital shopping infrastructure, which Pastel Hood can use for effective market entry.

Despite the favorable economic and technological environment, there are challenges associated with entering the Hungarian market. Regulatory hurdles, such as the

necessity for a local bank account and adherence to strict e-commerce laws including GDPR compliance, may mean potential barriers.

Overall, the attractiveness of the Hungarian market for Pastel Hood's expansion is favorable. The combination of a growing economy, high online engagement rates, and a relatively straightforward market entry (despite some regulatory challenges) presents a compelling case for expansion. The existing popularity of online marketplaces can also mean quicker brand recognition and customer acquisition through these existing platforms. Additionally, the rising consumer income and the increasing trend toward digital shopping align well with Pastel Hood's online only business model.

2.6. Consumer Analysis

This section gets into the local customer buying behavior that will influence the viability of the expansion and the ability of the Pastel Hood brand to catch on with the potential local audience and customers.

Understanding customer behavior is pivotal for the success of any business, especially in the dynamic and competitive landscape of the Hungarian fashion market. NK Expand's (2023) s internal documents reveal crucial insights into the preferences and expectations of Hungarian customers within the fashion niche along with several statistical resources.

- **Preference for brick-and-mortar shopping:** Hungarian customers exhibit a trend of still preferring to shop for their clothes using physical stores and have not fully embraced the online shopping method fully. This is also backed up by the following graph from Statista (2022)

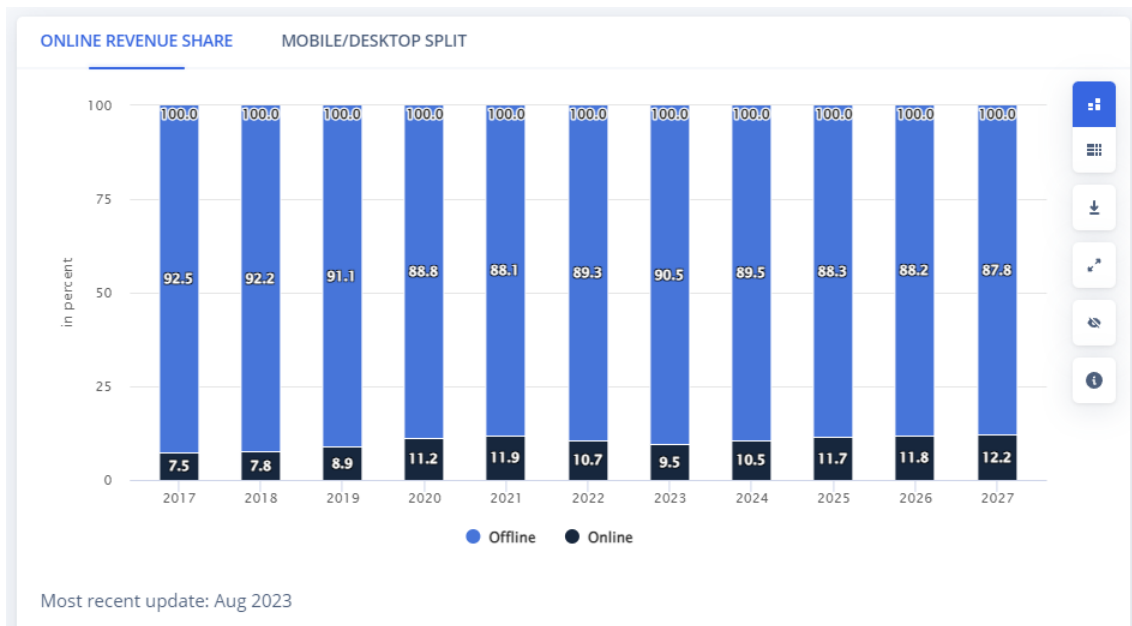


Figure 10: Sales Channels of HU apparel (Statista, 2024)

- **Emphasis on Fast Delivery:** A notable trend identified in the internal documents is the emphasis placed by Hungarian customers on swift order fulfillment and delivery. Timely and efficient delivery services are critical factors influencing purchasing decisions. (NK Expand, internal documents, 2023)
- **Payment by Card:** The preference for cashless transactions is evident among Hungarian fashion consumers. Payment by card is the favored method, aligning with the broader trend towards digital payment solutions. (NK Expand, internal documents, 2023)
- **Language Localization:** Perfect language localization is a significant aspect of customer satisfaction. Hungarians appreciate content, product descriptions, and customer support services provided in their native language. Accurate and culturally sensitive localization enhances the overall customer experience. (NK Expand, internal documents, 2023)
- **Attention to Product Reviews:** Hungarian customers engage actively with product reviews. Prior to making online purchases, consumers dedicate special attention to

reviews, seeking insights from fellow shoppers to inform their decisions. (NK Expand, internal documents, 2023)

- **Desire for Visual Information:** The internal documents highlight the significance of visual information. Customers prefer detailed product descriptions accompanied by visual attachments, emphasizing the importance of a comprehensive and visually appealing online shopping experience. (NK Expand, internal documents, 2023)
- **Sensitivity to Pricing and Discounts:** Hungarian customers exhibit a keen sensitivity to pricing and are responsive to discounts and promotional offers. Competitively priced items and strategic discounting play a crucial role in attracting and retaining customers. (NK Expand, internal documents, 2023)
- **Impact of brand and brand awareness:** Another trend that can be observed throughout the modern world and namely Europe is the emphasis a brand and brand awareness of the fashion company plays in its success. Research by Keszey (2019) reveals a substantial statistically significant positive correlation between brand awareness and internet purchases. The results highlight how crucial it is for businesses operating online to concentrate on developing appropriate brand identities, putting measures into place to increase brand trust, and raising consumer awareness. According to the survey, implementing these strategies may draw in more clients and boost e-commerce revenues.
- **Benefits of sustainable production:** Taking data from a study conducted by Keszey (2019) talks about the importance and potential impact of environmental messaging and its impact on customer behavior. The results imply that company representatives should keep a close eye on how rivals adhere to environmental principles and pay attention to their environmental marketing tactics. The study findings show that when environmental marketing outperforms its rivals, the market and consumers become more aware of the brand and are more favorable toward it, which boosts company profitability. This hypothesis is further confirmed by the statistical data that shows the share of sustainable apparel is consistently on rise on yearly basis and is predicted to keep growing as exemplified by the graph below.

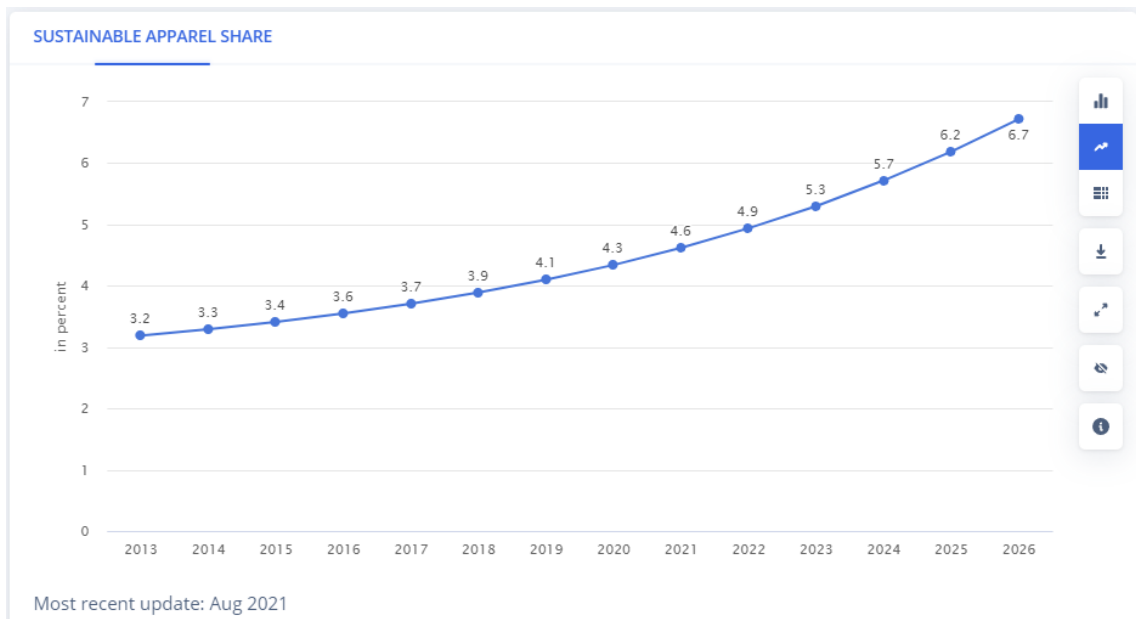


Figure 11: Sustainable apparel share in HU (Statista, 2022)

2.6.1. Complementary interviews

This section also focuses on the views and opinions of the potential customers of Pastel Hood in Hungary but this time through interviews that were conducted online through the platform MS Teams. The respondents are acquaintances of the author that he has met during his work experience and are predetermined to be the target group of Pastel Hood based on their age.

The author acknowledges that the sample size is small for a comprehensive consumer analysis but is including them as a complementary resource to further add to the crafting of customer persona profiles.

The demographic data and interview data of the sample is as follows:

- Number of respondents: 4
- Average age of respondents: 21
- Interview length: about 6 minutes per respondent
- Question type: open ended questions.
- Number of questions: 5

The questions themselves were short and to the point while being targeted at their shopping preferences. The last question was specifically targeted at their opinion of the brand Pastel Hood, and they were shown their online store, products, and social media prior via share screen. The questions were as follows:

- **Q1:** Do you generally shop for clothing online?
- **Q2:** What brands of clothing do you shop for?
- **Q3:** Are you open to trying out smaller clothing brands?
- **Q4:** What is your view on foreign (small) clothing brands?
- **Q5:** Is Pastel Hood appealing to you in terms of product and brand?

What follows next is a concise summary of the answer the interview subjects have provided as opposed to a 1:1 transcript of their answer. This was done in order to provide a concise and easy to understand summary of their stance on the question at hand. The answers will be later summarized in a graph that will measure a set “enthusiasm score” per each answer and respondent.

Respondent 1:

- **A1:** I'm a big fan of shopping for clothes online. It's not just the convenience but the variety you get. I can browse through dozens of stores within an hour, which you can't do at a mall.
- **A2:** I tend to go for brands that are known for their quality and style, like Adidas and Zara. But I'm not brand loyal – if something catches my eye, I'll buy it regardless of the brand.
- **A3:** I love finding unique items, so small brands are always on my radar. It's great when you find something cool and support an entrepreneur at the same time.
- **A4:** Foreign brands can be really exciting because they bring different fashion trends and perspectives. As long as the style resonates with me, and I find them trustworthy (as in I will not get scammed and have no delivery of the order) then I am for this.
- **A5:** Pastel Hood has an interesting vibe and a really nice hoodie design. I love pastel colors and the casual look, so it fits my interests. I'll definitely look into their collection.

Respondent 2:

- **A1:** Online shopping is pretty much the norm for me. I look for clear pictures, detailed descriptions, and customer reviews to get a sense of the clothing's quality.
- **A2:** I support brands that are transparent about their production processes and are committed to ethical practices. Companies like Patagonia and Everlane are high on my list.
- **A3:** Trying out smaller brands is something I try to do. It's about being part of a community and having a positive impact on the economy. But smaller brands tend to be more expensive which means that I really have to like their design.
- **A4:** I'm open to foreign small clothing brands, especially those that bring cultural diversity and craftsmanship to their products. However, what is crucial is to be trustworthy – this mainly applies to the online store being in my language and if I decide to write them an email, I expect an answer in Hungarian also. Otherwise, I might doubt the legitimacy of the company.
- **A5:** Pastel Hood seems to have a fresh aesthetic which I like. I'm intrigued by their brand philosophy and designs. If they're committed to ethical fashion and extend their product range a little, then I might consider buying.

Respondent 3:

- **A1:** Online shopping is convenient, but it can be hit or miss. I had a couple of bad experiences with online shopping regarding sizing, so I usually try the clothes in person and shop online for discounts.
- **A2:** I don't have brand loyalties. I shop based on what I need at the time and what looks good. The price also tends to play a major role on my purchase decision making.
- **A3:** I'm not overly keen on seeking out small brands, but if I stumble upon one with appealing items, I won't rule it out.
- **A4:** I don't have a strong opinion on foreign brands. If they have stylish clothes at a good price point, I'll consider them. Another aspect to think of here is that the online store has to offer Hungarian language and suitable delivery options – otherwise I tend to lose interest quickly.

- **A5:** Pastel Hood's brand looks appealing, and I like the hoodies, but summer is coming up and I did not see any warm weather options like t-shirts and so on. Right now, I would not be shopping for a hoodie which I buy around autumn and winter.

Respondent 4:

- **A1:** I rarely shop for clothing online because I've been burned by bad fits and poor quality before. When I do, I meticulously check size guides, return policies, and user reviews.
- **A2:** I gravitate towards brands like Levi's because they've proven their consistency and quality over time. Trust is a big factor for me.
- **A3:** I approach smaller brands cautiously. There's often less information available, so I have to do more research before I feel comfortable making a purchase.
- **A4:** With foreign small brands, my caution grows. I worry about additional shipping costs, longer delivery times, and potential complications with returns.
- **A5:** Pastel Hood would have to come highly recommended by someone I trust or to see it on some local Hungarian personality as a sign of legitimacy of the brand which raises the appeal for me.

2.7. Customer personas

Based on the insights gathered from customer preferences, expectations, and behaviors within the Hungarian fashion market along with the data from complementary interviews, several customer personas can be developed. These personas will help Pastel Hood tailor its marketing strategies and product offerings to effectively resonate with potential customers in Hungary.

Customer Persona 1: The Online Enthusiast

- **Demographics:** Early 20s - Teen, tech-savvy, engaged in social media.
- **Behaviors:** Prefers online shopping for the convenience and variety it offers. Frequently browses multiple e-commerce sites.
- **Preferences:** Values brands like Adidas and Zara for their quality and style but is not strictly brand loyal. Open to trying small and foreign brands, especially those that introduce unique fashion trends.

- **Challenges:** Seeks assurance of product quality through customer reviews and detailed product descriptions.
- **Motivations:** Enjoys supporting small brands and entrepreneurs. Looks for a unique style and trustworthy online presence.

Customer Persona 2: The Ethical Shopper

- **Demographics:** Around 21, environmentally conscious, prefers sustainable products.
- **Behaviors:** Prioritizes online shopping but is careful about researching brands' production processes and ethical practices.
- **Preferences:** Supports brands such as Patagonia and Everlane that are transparent about their sustainability efforts. Needs clear pictures, detailed product descriptions, and positive customer reviews to make a purchase.
- **Challenges:** Concerned about the higher cost of products from smaller brands, which influences purchasing decisions.
- **Motivations:** Keen on being part of a community and making a positive impact. Interested in cultural diversity and craftsmanship in products.

Customer Persona 3: The Cautious Buyer

- **Demographics:** Early 20s, mixes online and offline shopping.
- **Behaviors:** Uses online shopping for discounts but prefers to try clothes in person due to past sizing issues.
- **Preferences:** Not particularly loyal to any brand, influenced by price, and responsive to discounts.
- **Challenges:** Hesitant about small and foreign brands without a strong local presence. Requires Hungarian language support and suitable delivery options.
- **Motivations:** Open to purchasing stylish clothes at good prices but needs convincing about the reliability of new or small brands.

Customer Persona 4: The Traditional Shopper

- **Demographics:** Late 20s, skeptical about online shopping due to past negative experiences.
- **Behaviors:** Shops online infrequently, highly cautious, checks size guides, return policies, and user reviews thoroughly.
- **Preferences:** Favors established brands like Levi's that have demonstrated consistent quality over time.
- **Challenges:** Concerned about additional shipping costs, longer delivery times, and the hassle of returns when buying from foreign brands.
- **Motivations:** Needs strong recommendations or endorsements from trusted sources or local celebrities to consider new or foreign brands.

These customer personas reflect a range of behaviors and preferences that Pastel Hood must consider when planning its market entry strategy in Hungary. The need for detailed product information, fast and reliable delivery, competitive pricing, strong brand presence, and localization are key factors that will influence the brand's acceptance and success in this market.

2.8. Assessment of local customers

Pastel Hood's expansion into Hungary presents an opportunity with a set of challenges that hinge on understanding and adapting to local consumer behaviors.

Hungary's fashion consumers have shown a gradual shift towards online shopping, yet a significant preference for brick-and-mortar stores remains. This suggests a need for Pastel Hood to bolster its online presence with more active digital marketing strategies to attract a customer base that still wants to shop physically.

The emphasis on fast delivery and cashless payments aligns well with Pastel Hood's operational model, supporting a seamless transition to this new market. The Hungarian market also shows a strong preference for detailed product information and visual content, necessitating a comprehensive and visually appealing online presence.

Local customization, such as website and customer service localization, is key since Hungarian consumers want the content in their native language, enhancing trust and

user experience. Moreover, the increasing awareness and preference for sustainable products align with Pastel Hood's potential market strategies, as more consumers are drawn to brands that advocate for environmental responsibility.

However, Pastel Hood faces challenges such as the need to build significant brand awareness to compete with established brands and meet the high customer service expectations. The importance of brand recognition and the influence of consumer reviews highlight the need for Pastel Hood to invest in building a strong, trustworthy brand presence and engaging directly with consumers to foster loyalty and recognition.

The enthusiasm observed in interviews with potential customers, particularly the younger demographic, suggests that there is a receptive market for Pastel Hood's products. Consumers expressed interest in unique fashion items and showed willingness to trying small and foreign brands, provided they meet their standards that they go by when shopping.

2.9. Competitive environment segmentation

This part aims to gauge the competitive forces on the Hungarian market covering the key players with a look at the specific targeted niche competitors which are other small domestic clothing brands which would most fit the profile of Pastel Hood. Based on the authors previous experience with market analysis with the focus on fashion brands referencing to Šviha (2022) it has been decided to not focus on the major international and mainstream clothing brands such as Zara, H&M or other fast fashion brands but rather to go straight into the identification of the local Hungarian small clothing brand niche that Pastel Hood will be competing with if not directly. These are brands who possess similar values and are targeting a niche audience base.

However, in order to capture a surface level look at the market share the brand is the following graphic.

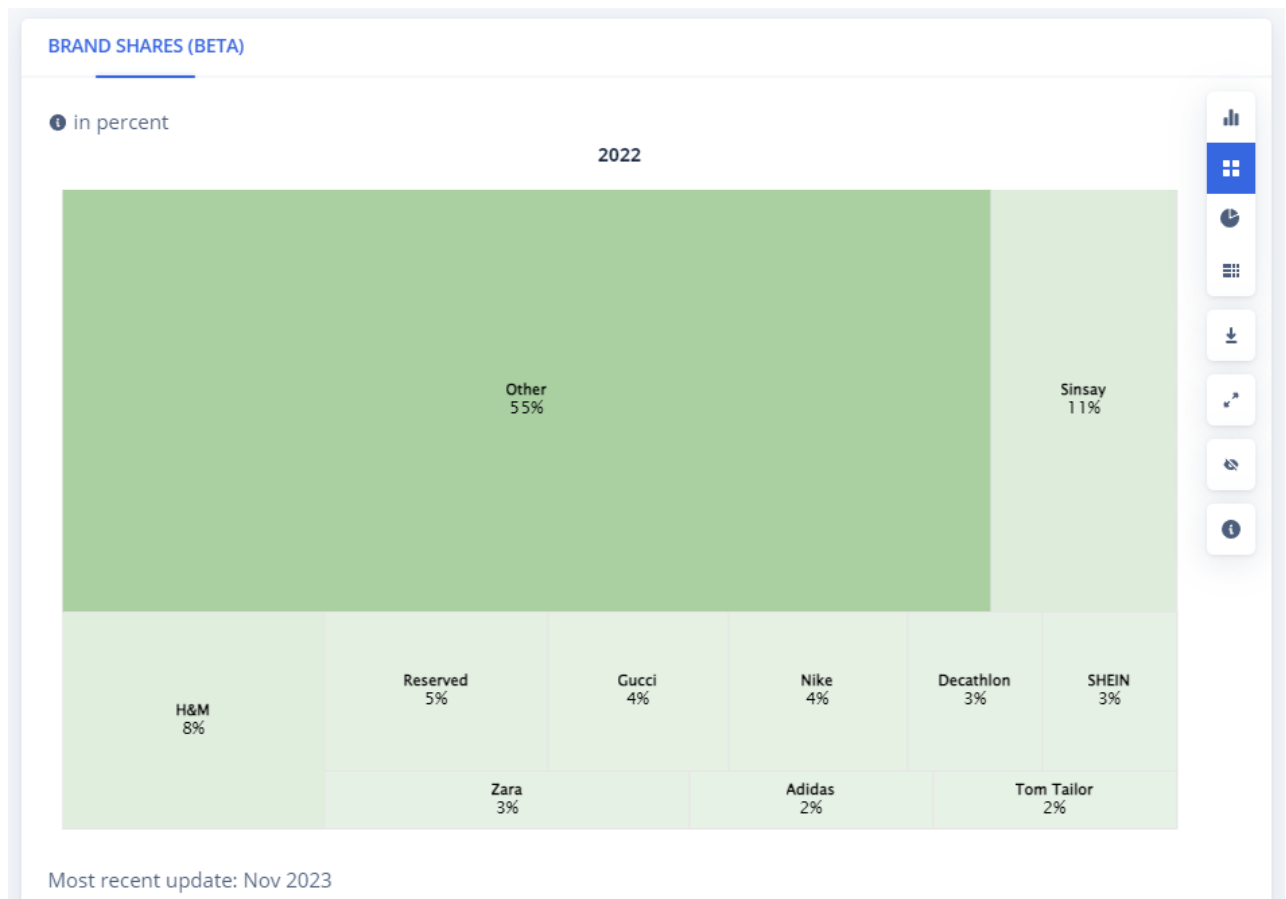


Figure 12: Key fashion market player percentage map (Statista, 2023)

To illustrate the market share range of the mainstream brands then based on the graph from Statista (2023) we can see that the majority of the key players are classified unapacifically, we can still see the other key players and draw several conclusions from the available data.

We can see the dominating forces are taken by fast fashion commercial brands with strong presence in physical stores. The other small minority is taken by luxury fashion brands.

The Hungarian fashion market can be further segmented into distinct competitive categories, crucial for understanding Pastel Hood's potential for entry and expansion. This analysis focuses on small local non-streetwear brands and local streetwear brands, while also considering the broader context of resellers of global streetwear brands, which indirectly influence market dynamics and consumer expectations.

- **Resellers of Global Streetwear Brands:** This segment is composed of mainstream retailers and resellers of major global streetwear brands. While Pastel Hood does not directly compete with these entities, their presence is significant as they shape consumer preferences and establish market standards for quality and brand recognition. The dominance of these players highlights a robust demand for streetwear, characterized by a preference for well-known global brands which often symbolize status and trend alignment.
- **Small Local Non-Streetwear Brands:** Key players in this segment do not compete directly with Pastel Hood but provide valuable insights into market trends and consumer preferences, particularly around sustainability and local production. Brands such as Tribali Gitana, Sunny Side Up Agency, Philomén, Eszka, and AERON highlight a strong market inclination towards sustainable fashion, artisan craftsmanship, and local production. These trends suggest a consumer base that values environmentally conscious and uniquely local products, which could be advantageous for Pastel Hood if integrated into their brand strategy.
- **Small Local Streetwear Brands:** Direct competitors for Pastel Hood in the local market include brands such as Budapest Underground (BPU) and DROPP, which target similar streetwear segments. BPU appeals to urban, style-conscious consumers with its edgy, underground fashion, while DROPP caters to a more modern, minimalist aesthetic. The analysis of these brands reveals a market gap in authentic, locally branded streetwear, suggesting an opportunity for Pastel Hood to establish a significant presence.

For the purposes of this thesis, the first category of resellers will not be covered because this is a secondary market that deals in reselling major global streetwear brands which is wholly outside the market that Pastel Hood wants to compete with. These products are bought often with different intentions than is the target for the Pastel Hood brand.

2.9.1. Indirect competition analysis

Since these brands do not offer the same products or appeal to the same core audience, it has been decided to provide a basic overview that will highlight some key aspects of these local brands in the table below. The following five competitors have been taken from an online list compiled on Panaprium by Assoune (2023). The table below aims to

compile key characteristics and offer a trend overlap that can be seen with these selected brands.

Table 3 : Small domestic brands summarized (Own processing, 2024)

Brand	Brand Values	Pros	Cons
Tribali Gitana	Organic, Artisan Craft	Handmade with love, unique creations inspired by tribal traditions.	Limited availability and higher prices for artisan-crafted items.
Sunny Side Up Agency	Recycled, Vintage	90s vintage and romantic apparel, carefully selected authentic pieces.	Limited availability of specific vintage items.
Philomén	Recycled, Timeless, Zero-Waste, Give Back, Made in Hungary	Sustainable swimwear made from recycled Italian fabrics.	Limited range of offerings beyond swimwear.
Eszka	Recycled, Timeless, Zero-Waste, Made in Hungary	Beautiful and colorful patterns from recycled yarn, environmentally friendly.	Limited product range, focused on patterns and colors.
AERON	Organic, Recycled, Timeless, Luxury, Zero-Waste	Waste-reducing innovations, elegant, luxurious pieces blending styles.	Higher price range due to the luxury positioning.

Competitive trends summary:

- Eco-Friendly Emphasis: Organic and recycled materials are increasingly embraced by many brands as a sign of the rise of sustainable fashion.
- Local production: Many of the brands showcased are made locally.
- Artisan Craft Resurgence: The brands such as Tribali Gitana present resuscitated artisanal craft with hand-crafted designs.
- Local Manufacturing: Brands such as and Philomén indicate a shift towards promoting Hungarian products.

- **Luxury with Sustainability:** Luxury firms are increasingly introducing sustainable practices, as demonstrated by AERON.
- **Vintage and Retro Vibes:** To this end, Sunny Side Up Agency plays on the trend of vintage and retro fashions by reviving 1990's styles with a modern and eco-friendly twist.

Such trends point at increasing popularity of environmentally friendly and 'pure' fashion among consumers.

While conducting the research no direct competitor (local small streetwear company matching the same brand positioning and product has been identified) which may signify an opening on the market and mean lower saturation.

2.9.2. Direct competition analysis

These brands most closely resemble the offering of Pastel Hood as well as target the streetwear segment. These brands have been discovered through google by imputing keywords such as "Hungarian streetwear brands" and variations of.

It is important to note that not many authentic brands such as the ones described below can be found. The recommended shopping tab on google was filled with products from marketplaces such as Temu or Wish. The two found Hungarian streetwear brands are BPU and DROPP. and are analyzed below.

The methodology for this analysis is a look at their product offering, brand storytelling and channels for communication to be able to state my interpretation of their respective brand identities.

2.9.2.1. Budapest underground (BPU)

Budapest Underground is a small streetwear clothing brand that looks to appeal to the needs of people with a taste for the urban and underground style that is typical of this city. Their product line and branding reveal a strong relationship with the underground culture of the city's young demographic, appealing to a style-conscious, fashion-forward, and young audience who prizes authenticity and cutting-edge fashion statements. (BP Underground, 2024)

Logo and brand image:



Figure 13: Budapest Underground logo (BPU online store, 2024)

The logo of Budapest underground is very punk and heavy metal inspired, evoking the feelings of rebellious nature that the brand seems to take inspiration from. The logo also features an exclamation point, further reflecting the urban and underground aspect of the niche targeting.

Product Selection: The brand showcases such items as t-shirts, hoodies, caps, and other accessories. The aesthetics also feature pastel colors which might be close to the Pastel Hood own selection, and which is an element that is connected to the subculture of underground, city life, and, of course, local Hungarian motifs, which offer a creative representation of a combination of local pride and current fashion trends. (BP Underground, 2024)

Communication Channels:

- Online store (www.bpunderground.hu): plays the role of the retail channel for their products. It also has some limited brand backstory and storytelling elements on their about page. Furthermore, we can see that the store offers a variety of currency option and is on
- Instagram: Budapest Underground's Instagram page is a key pictorial platform that is used to illustrate the brand's products, share content that is related to the brand, and also interact with their followers. It probably will have some lifestyle shoots, product highlights and maybe even some user-generated content that show some of their clothing being worn in typical surroundings. (BPU Instagram, 2024)

Brand identity of Budapest Underground

- **Physique:** The main physical aspect of the brand is its urban-inspired look, which is communicated in the flame, graffiti like logo and blurry imperfect and underground stylized photos on their Instagram profile.
- **Personality:** This brand comes off as rebellious, youthful, and lively, attracting people who like subcultures and embody the street spirit.
- **Culture:** Budapest's local scene and its underground culture, the brand communicates a worry-free and bold aesthetic.
- **Relationship:** From the gained data the relationship aspect looks to be a sense of rebellious community.
- **Reflection:** The typical wearer is likely to be seen as a bit of a rebel and a street kid that takes bold fashion choices and is not at all shy about their clothing preferences.
- **Self-image:** Shoppers probably view themselves as belonging to a group of similar minded underground young people.

2.9.2.2. DROPP.

Is another small fashion brand that has been selected for closer review based on their product selection which closely mimics the Pastel Hood selection mainly in their hoodie lineup.

DROPP is presented as a contemporary clothing brand, seemingly targeting individuals who appreciate modern, minimalist fashion with an emphasis on comfort and style. The brand likely caters to a demographic that values both aesthetics and practicality in their apparel. (DROPPwear, 2024)

Logo and brand image:



Figure 14: DROPP logo (DROPP online store, 2024)

The DROPP brand logo is black and white representing their overall brand aesthetic and image that translates to their product selection as well. The font is modern and might take inspiration in style to other brands such as Palace or Supreme

Product Selection: The brand's offerings include a range of apparel that focuses on modern design which also offers comfort. Products feature items such as minimalist t-

shirts and hoodies. The product line could be characterized by quality-looking materials, simple branding, and a palette that is neutral, monochrome and sometimes includes pastel colors. (DROPP, 2024).

Communication Channels

- **Online Store (www.DROPPwear.com):** This would be the primary platform where customers can view, select, and purchase the brand's products. The website might also provide insights into the brand's philosophy, ethos, and the story behind their collections.
- **Social Media (Instagram):** DROPP. social media presence likely serves as key channels for engaging with their audience, showcasing their products worn by their own models (DROPP Instagram profile 2024)

Brand Identity of DROPP.

- **Physique:** The core visual identity of DROPP could be defined by its minimalist design, focusing on clean lines, simplicity, and a modern aesthetic.
- **Personality:** The brand projects a personality that is sophisticated, modern, and not too outlandish. It seems to appeal to those who want modern clothes with a clean aesthetic feel.
- **Culture:** DROPP.'s culture seems to be based in the principles of modern design, emphasizing innovation (like their glow in dark selection) and material quality.
- **Relationship:** The relationship forged by the brand with its customers likely centers on trust and reliability.
- **Reflection:** The typical DROPP. customer might be perceived as someone who is style-conscious, appreciates minimalist design.
- **Self-image:** Consumers might see themselves as aligning with modern clothing trends whilst not standing out too much.

2.10. Assessment of competitive landscape

Pastel Hood's potential expansion into the Hungarian fashion market requires an understanding of the competitive environment. This complex landscape includes both direct and indirect competitors who influence consumer preferences and market dynamics.

Indirect Competition

Indirect competitors in the market include small local brands that, while not directly competing in the streetwear segment, influence broader market trends and consumer expectations. These brands showcase a strong commitment to sustainability, artisan craftsmanship, and local production. Their brand values seem to resonate with a consumer base that prioritizes eco-friendliness and local production. While these brands offer a more diverse product range and are established in their respective niches, they do not directly compete with Pastel Hood's core offerings but set a level for quality and sustainable practices that Pastel Hood could see to emulate to please local buyers.

Direct Competition

The direct competition comprises local streetwear brands, primarily BPU (Budapest Underground) and DROPP, which more closely align with Pastel Hood's target market and product style. Both brands cater to a youthful, fashion-forward audience that values authenticity and modern design.

- **Budapest Underground (BPU)** leverages the local urban culture to create a unique brand identity that appeals to those interested in underground, street-inspired fashion. The brand's product selection, which includes t-shirts, hoodies, and caps, utilizes pastel colors and urban motifs, potentially overlapping with Pastel Hood's aesthetic.
- **DROPP** focuses on a minimalist, contemporary style that emphasizes comfort and simplicity. This brand appeals to consumers who appreciate understated fashion, contrasting with Pastel Hood's more vibrant and expressive designs.




The analysis reveals a trend towards sustainability and local craftsmanship among indirect competitors, which is increasingly influencing consumer preferences across the board. Direct competitors albeit few, offer broader product selections and are established within their niches and customer bases, which could pose a challenge to the entrance of foreign small player like Pastel Hood. However, the market for authentic Hungarian streetwear brands appears under-saturated, due to the low discovery of more direct competitors, presenting an opportunity for Pastel Hood to establish itself with its unique product that would seem to be the only one of its kind in Hungary.

2.11. Benchmarking

In this benchmark, Pastel Hood will go up against the direct competition described in the chapter above, DROPP and Budapest Underground.

The criteria of the benchmark will be as follows:

- Product offerings
- Brand Values
- Market Positioning
- Price range (sole focus on hoodies, as this is the only Pastel Hood product)
- Communication channels
- Sustainability
- Local production
- Customer
- engagement

Criteria	 <i>Pastel Hood</i>		 <i>Budapest Underground (BPU)</i>
Product Offerings	Hoodies in 3 different color variations	Minimalist and monochromatic t-shirts, hoodies, focusing on comfort and modern design with glow-in the dark elements	Streetwear-focused items like t-shirts, hoodies, caps, with urban and underground influences with bold design characteristics.
Brand Values	Sustainability, unique design, Local production (Slovakian)	Modern design, simplicity, sustainability in production.	Urban / underground rebellious culture, authenticity, community-focused designs reflecting local culture.
Market Positioning	Slovakian local brand targeting the streetwear niche with bold colors appealing to younger demographic.	Hungarian brand with modern streetwear, catering to a style-conscious and more careful demographic.	Well-integrated into the local market, appeals to young consumers with a taste for the urban and underground style.
Price Range (hoodies)	Prices are 65 EUR / hoodie	Prices range around 100-120 EUR / hoodie	Prices range around 80-100 EUR / hoodie
Communication Channels	Online store, Instagram (433 followers) + low community engagement on posts Communication language: SK	Online store, Instagram (32 followers) Communication language: HU	Online store, Instagram (1 161 followers) + high community engagement on posts. Communication language: EN
Sustainability	Claims sustainability and local Slovakian production.	Claims local production, Made in Hungary.	Claim of hand-made products, country of origin undisclosed.
Customer Engagement	Lower community engagement bar influencer posts.	Low engagement on social media despite frequent posting.	High engagement levels on Instagram (comments, likes) + brand-based collaborations.

2.11.1. Assessment of the Benchmark

From the benchmark above we can see that there are some clear gaps in the showcased brands. Most notably the attention should be drawn to the dramatic difference in product offering. The direct competitors all have more than one product variation that can cover all year wear. This is a weakness of Pastel Hood which only has hoodies on offer that limit the brand to only selling in specific times of the year.

All brands put emphasis on sustainability and local production with highlighting this fact on their online store and their social media. This goes hand in hand with the discovered trend in the market analysis that this is a trend that should be followed and emulated.

Pastel Hood has an advantage on paper with the following on Instagram over DROPP, however most of those followers seem to be from Czechia or Slovakia, which means that Pastel Hood will have to gain local following as well. Another part to consider is the communication language of the social media and online store. DROPP streetwear is Hungarian all around with it being the primary communication language on their online store and Instagram. BPU however opts for using English on all their communication channels which indicates that with the younger demographic in mind, this does not pose an issue and makes their content international as a built-in advantage.

An area that Pastel Hoods differs is the pricing of its hoodies (the only similar product to be benchmarked). The difference is quite significant and encompasses a 20-40% cheaper price than the competition.

Overall, the brands are similar in their niche targeting and focus on capturing the young streetwear fond demographic. The communication language question together with the limiting product range are areas for further consideration and emulation.

2.12. Industry Experts Insight

This part of the thesis focuses on the aforementioned interviews with three Hungarian industry experts that specialize in Hungarian ecommerce with added experience with Czechoslovak brands that seek to enter and be successful in entering the Hungarian market. These contacts have been gained as part of the author's experience while

working in an agency that specialized in foreign company expansion and business development.

The goal of the interviews was to get the expert opinion on the brand Pastel Hood in general and through relevant questions gauge the viability of the brand on the HU market and potential tips of the experts on how to proceed.

The demographic data and interview data of the sample is as follows:

- Number of respondents: 3
- Interview length: about 12 minutes per respondent
- Question type: open ended questions.
- Number of questions: 6

The interviews were conducted online via MS Teams with a webcam and shared screen displaying the Pastel Hood social media and website. The interviewees have also been sent these materials one day in advance.

Profile of the experts

- a) **Lilla** – an expert translator and marketer that has experiences working both for Czech and Hungarian subject and has played a key role in expansion to HU for some big CZ ecommerce clients
- b) **Csaba** – a marketer and PPC analyst who specializes in HU marketing and also sales channels and their potential application for a business.
- c) **Noémi** – a marketer and consultant helping with market research into foreign market expansion, namely for the HU market.

The above-mentioned persons have been selected because they fit the predetermined criteria of being native Hungarians, therefore providing local knowledge and best practices but also have preexisting knowledge with the field of expansion and foreign business development on the HU market.

2.12.1. Expert interviews - questions

Since this data collection is an in-depth interview, a smaller number of questions have been selected with the goal of a deeper dialog. They are as follows*:

Q1: Considering your experience with Czech and Hungarian companies of similar size and niche, how do you perceive the brand Pastel Hood in terms of its cultural alignment with the Hungarian market, and what factors might influence its reception among Hungarian consumers compared to other markets?

Q2: In your expertise, what are the key considerations for a Czechoslovak brand like Pastel Hood when entering the Hungarian e-commerce landscape? Are there any specific challenges or opportunities that stand out based on your experience with similar expansions?

Q3: Given your role in assisting Czech e-commerce clients in expanding to Hungary, what strategies do you find most effective in adapting marketing approaches to resonate with the Hungarian audience? How important is local customization in marketing efforts for successful market entry?

Q4: a specialist in Hungarian marketing and sales channels, how do you envision the integration of Pastel Hood into the existing e-commerce ecosystem in Hungary? Are there particular sales channels or promotional strategies that you believe would be advantageous for the brand in this market?

Q5: In your consulting work for market research into foreign market expansion, what specific insights or trends have you observed regarding consumer behavior and preferences in the Hungarian market? How can Pastel Hood leverage these insights to optimize its market positioning and outreach strategies in Hungary?

Q6: In your expert opinion, do you see the Pastel Hood brand as viable for expansion and success on the Hungarian market?

*The questions have been translated into English post interview since they were mostly lead in the Czech language. The content and context remain unchanged.

2.12.2. Expert interviews - answers

This section provides the answers to the above stated questions. Important to mention is the fact that these are not direct transcripts but summarized key points the interviewee has made and have been altered for maximum clarity while also converted to English.

Respondent 1 - Lilla

A1: Perception of Pastel Hood: Pastel Hood brings a new mix of Czech / Slovak unique design to the Hungarian market that seems to be quite competitive on first sight due to the diverse product design language. The modern look of this item matches with what certain Hungarian people might like. To make people like it even more, using local design and keeping up with Hungarian fashion styles is very important.

A2: Key Considerations for Pastel Hood: Careful thinking about language and culture is very important for Pastel Hood's start in Hungary. Working with influencers in Hungary and teaming up with their designers can create additional value and make the business feel local. This helps to build faith among the local crowd. This is very important in a market where culture identity means a lot.

A3: Effective Marketing Approaches: Success comes from adapting to local interests. Making content match with Hungarian culture in mind is very important. Using social media in Hungary and focusing on specific targeted ad campaigns can greatly increase brand awareness. Being able to take criticism and be flexible to local customer demands and take feedback is a must.

A4: Integration into Hungarian E-commerce Ecosystem: You should add your business to the Hungarian online shopping world. Using PPC ads, learning how people shop online and working with local internet marketplaces are good ways to succeed. These steps go along with Hungarians' desire for quick exposure and various online shopping options.

A5: Sales Channels and Promotional Strategies: Working with famous Hungarian online stores can help reach existing customers. Putting on special offers, maybe linked to local happenings or celebrations, can make people feel unique. A strong online marketing plan, including improving SEO settings, is important for making Pastel Hood's internet profile better.

A6: Success of Pastel Hood in the Hungarian Market: Pastel Hood's mix of creativity and the thoughtful decisions we talked about make me think it can do well in Hungary. Matching with local styles, using Hungarian design ideas or local trends might make Pastel Hood popular among Hungarians.

Respondent 2 - Csaba

A1: Integration into Hungarian E-commerce Ecosystem: You need a good plan to put Pastel Hood in Hungary's online shopping world. Using PPC ads can quickly show your business, especially if made for Hungarian customers' online actions and ways they search. Also, looking into cooperation with local online or physical shops can help the brand show up in more diverse places and heighten the reach. Online behavior and search patterns. Additionally, exploring partnerships with local online marketplaces can diversify the brand's presence.

A2: Sales Channels and Promotional Strategies: Diversifying sales channels is very important. Using the big Hungarian online marketplaces (like eMag or Arukeresó) can help Pastel Hood's business reach more people. Making special offers and unique deals linked to nearby events or holidays can make customers feel even more special and willing to buy from an unknown brand. A good online marketing plan with SEO improvements will make you more visible on the internet.

A3: Consumer Behavior and Preferences in Hungary: People in Hungary and your target audience specifically seem to like real and eco-friendly things. Pastel Hood can make the most of this by matching its ads with good fashion topics. Clear talk about a brand's values can make a strong link with Hungarian people who like brands that care.

A4: Optimizing Market Positioning: Pastel Hood should analyze the market well in advance from the marketing view to gauge what rival businesses are doing and what the local customers want. Looking at how other global companies doing well in Hungary can give other important information such as their use of SoMe channels and so on. Using tools that study the market and focusing on storytelling in marketing can help make a strong story prospect for the Hungarian people.

A5: Effective Marketing Approaches: The lasting value of eco / sustainable marketing needs constant variety to not become stale. Keeping an eye on what competitors are doing is important for staying ahead or keeping up with the current trends. Pastel Hood needs to always try new things and be different from others so they can keep succeeding.

A6: Success of Pastel Hood in the Hungarian Market: I think Pastel Hood will have a positive future in the Hungarian market. Optimizing the e-commerce system, using diverse ways to sell things, and focusing on digital promotion works well with the local customers. The alignment with the brand and consumer values also yields further optimism.

Respondent 3 - Noémi

A1: Consumer Behavior and Preferences in Hungary: People in Hungary are careful about what they buy, and more often wanting clothing that is good for the environment or has ethical values. Pastel Hood can use this trend by making its marketing plans go with caring for the environment. Talking clearly about the brand's beliefs and actions can connect well with Hungarian people who care for nature.

A2: Optimizing Market Positioning: Pastel Hood needs to do a deep study of the market. They should learn about their rivals and what people want from them. Looking at how other international brands do in Hungary can give helpful information. Use market info tools and focus on storytelling in marketing to create a strong tale that attracts the emotional Hungarian audience.

A3: Perception of Pastel Hood: Pastel Hood brings a special mix of Czech style to the Hungarian market. Its modern look matches what Hungarian people value in creativity. To make it more popular, using local style features and keeping up with what's fashionable in Hungary would be very important.

A4: Key Considerations for Pastel Hood: Key Considerations for Pastel Hood: It's very important for Pastel Hood to think carefully about language and culture when they start in Hungary. Working with popular people in the area and teaming up with designers from Hungary can make things real, helping to gain trust among local people. This is very important in a market where the culture you belong to matters a lot.

A5: Effective Marketing Approaches: Success comes from knowing the locals. It is very important to change content, so it matches with how Hungarian people feel, what they like and the things happening in their country. Using big social media sites in Hungary and making special ads can really increase the chances of people seeing your

brand. Listening and adapting to what customers say is just as important in this changing market.

A6: Success of Pastel Hood in the Hungarian Market: Even though Pastel Hood has some favorable selling points, I am only cautiously optimistic of the potential of it becoming largely popular in Hungary. It's good for the brand to match up with fair and eco fashion trends, but success will hinge on effective execution, continuous adaptation to local dynamics, and navigating potential challenges in this diverse market.

In order to ensure maximum clarity a table has been created that highlights the key points made by the recipients while color coding the end result culminating with question f) where green indicates a positive outlook, orange cautious and red unfavorable. The table is as follows.

Table 4: Table representation of summarized interview answers (Own processing, 2024)

Questions	Resp.1: Lilla	Resp.2: Csaba	Resp.2: Noémi
a) Perception of Pastel Hood	Czech design blend in Hungary. Local elements are crucial.	Promising, aligns with Hungarian preferences. Strategic integration enhances appeal.	Cautious optimism: success depends on execution and adaptation.
b) Key Considerations for Pastel Hood	Meticulous linguistic and cultural considerations.	Strategic e-commerce integration imperative. Success requires continuous adaptation.	Success depends on effective execution, adaptation, and navigating challenges.
c) Effective Marketing Approaches	Localization is paramount. Adapting content to resonate with Hungarian sentiments is crucial.	Flexibility and responsiveness to consumer feedback essential.	Aligning with sustainable fashion trends is favorable, but execution and adaptation are crucial.
d) Integration into Hungarian E-commerce Ecosystem	Strategic PPC and local online marketplace integration.	Diversifying presence through PPC and local marketplaces.	Imperative strategic integration with diversification in sales channels and robust digital marketing.
e) Sales Channels and Promotional Strategies	Collaborating with Hungarian online marketplaces and targeted promotions.	Collaboration with popular Hungarian online marketplaces and targeted promotions.	Diversification in sales channels, exclusive promotions, and robust digital marketing enhance visibility.
f) Success of Pastel Hood in the Hungarian Market	Optimistic potential success. Alignment with local trends positions well for Hungarian consumers.	Confident in a promising future. Integration strategies align well with Hungarian preferences.	Cautiously optimistic; success depends on effective execution and navigating potential challenges.

2.12.3. Assessment of expert interviews

With support of the experts, it is reasonable to assume that Pastel Hood may successfully enter the Hungarian market, given that the brand's assortment is properly aligned with preferences of Hungarian customers and the country's specific market conditions. They say that the brand has some unique product designs, but they also make clear that the incorporation of Hungarian fashion elements and going along with the local trends and meeting consumer expectations is equally important.

Key recommendations include:

- **Cultural and Linguistic Adaptation:** Among other things, conveying full trustworthiness through adaptation to Hungarian standards is one of the key elements of expansion success as it increases the brand and online store legitimacy. Pastel Hood thus needs to make sure that their brand and products meet the needs of the local consumers.
- **Engagement with Local Influencers:** Partnering with Hungarian influencers as well as designers to expand the local dimension of our brand and establish the credibility towards consumers.
- **Strategic E-commerce Integration:** Replying on the Hungarian online marketplaces and making use of a focused digital marketing strategy that will ensure greater brand visibility and an active client base.
- **Responsive Marketing Strategies:** A marketing content that is in line with Hungarian consumer preferences, and particularly sustainability and ethical fashion, the two fields that seem to become more and more meaningful to the target group.
- **Continuous Market Analysis:** Constant market care and close monitoring of the customers' opinion in order to stay aware and to be flexible and quick to react to the Hungarian market changes.

Overall, it can be summarized that the interviewed are mostly optimistic and their tips and insights might play a key role in preparing Pastel Hood for Hungarian expansion as no obvious block-element has been identified herein.

2.13. Summary of the Analytical part

Upon conducting the research outlined in the earlier parts of the thesis and focusing apart from the analysis of the current state of the Pastel Hood brand in particular on the following topics:

- Viability and attractiveness of the Hungarian market
- Local Consumer Preferences
- Competitive Landscape
- Industry Expert Insight

The analytical section of the thesis provides a comprehensive examination of Pastel Hood's potential expansion into Hungary. This summary synthesizes key findings across various dimensions, including market analysis, competitor analysis, consumer behavior, and expert insights.

Key Findings:

- **Market Attractiveness:** The Hungarian market presents a promising opportunity for Pastel Hood, characterized by a growing GDP, increasing household incomes, and a surge in online shopping, particularly post-COVID-19. Over 79% of the population engaged in online shopping by 2023. Furthermore, the proximity to the origin country of Pastel Hood (Slovakia) together with minimal major cultural differences and a trend of online stores from this region to enter Hungary indicate that Hungary is a viable and attractive market for expansion.
- **Consumer Preferences:** Hungarian consumers display a preference for brick-and-mortar stores despite the rise in online shopping. They also value fast delivery, cashless transactions, and detailed product information. There is a significant emphasis on the need for localized content and sensitivity to pricing and discounts. Additionally, Hungarian consumers are drawn to sustainable products, aligning well with Pastel Hood's emphasis on sustainability and ethical fashion. Based on these findings, several customer personas have been created. In limited interviews the questioned potential buyers from Hungary displayed affinity for the brand of Pastel Hood and liked the design of the product offering and the brand message.

- **Competitive Landscape:** The competitive analysis reveals a segmentation of the market dominated by a few mainstream brands and a presence of small local players (direct competition to Pastel Hood) who target the streetwear niche and also emphasize sustainability and local production together with modern and trendy designs and a sense of local community engagement. Direct competitors like Budapest Underground and DROPP target a similar young, style-conscious demographic. However, the market is not overly saturated, providing a window for Pastel Hood to establish a niche presence.
- **Expert Insights:** Interviews with Hungarian e-commerce experts suggest that while the market is receptive, significant challenges in cultural alignment, legal compliance, and local consumer preferences need to be navigated. The experts emphasize the importance of local customization in marketing efforts and strategic e-commerce integration but most of them were favorable toward the expansion of Pastel Hood.

The analysis indicates a favorable but challenging market environment for Pastel Hood. The growing e-commerce trend together with high online shopping usage presents a significant opportunity. However, the preference for physical stores and the strong emphasis on local customer service and product information highlight the need to implement these when entering the Hungarian market.

The Hungarian market trend and favor to sustainable fashion aligns with Pastel Hood's brand values, potentially aiding in differentiation and positioning. However, the competitive landscape, though not saturated, will require Pastel Hood to offer more product offerings and a strong brand identity to carve out a market share.

Expert opinions also highlight the necessity for strategic partnerships and localized marketing strategies to effectively engage with the Hungarian audience. These strategies should include leveraging local influencers, aligning product offerings with local trends, and ensuring compliance with local e-commerce regulations.

3. Proposal part

The analytical part of the thesis identified various challenges, opportunities, and problems that Pastel Hood faces when entering the Hungarian market. The design part addresses these challenges and opportunities without neglecting the emerged problems. The challenges represent potential for the brand's long-term strategic direction, which is detailed into specific forms in the design part.

Opportunities represent decisions that can be implemented, and the design part proposes several solutions for these. These solutions are evaluated in terms of their advantages and disadvantages, helping to guide the direction in which the brand's development can proceed.

The brand development framework indicated below that was formulated during the theoretical part now includes indications as to what elements of the brand need to be focused on with a scale of importance (legend below).

Table 5: Highlighted Brand Dev. Framework (Own processing, 2024)

Brand development framework			
Brand strategy for Hungary		Brand perception in Hungary	
<ul style="list-style-type: none"> Brand identity 	<ul style="list-style-type: none"> Brand vision and mission 	<ul style="list-style-type: none"> Local Consumer needs 	<ul style="list-style-type: none"> Brand associations
<ul style="list-style-type: none"> Brand communication in HU 	<ul style="list-style-type: none"> Brand positioning 	<ul style="list-style-type: none"> Brand value proposition 	
Internationalization aspect - External influencing factors			
Hungarian market environment	Hungarian consumer opinion	Competitive forces in Hungary	General trends of the industry

- **Green highlight** → little to no adjustment necessary
- **Orange highlight** → minor adjustment necessary
- **Red highlight** → major adjustment necessary

3.1. Brand Strategy for Hungary

This part of the proposal section will go over the highlighted areas of the brand development framework and propose a design for each part that is in line with strategic findings tailored to the Hungarian market.

3.1.1. Brand vision and mission

Brand vision and mission remains largely unchanged as this brand aspect carries over into Hungary without much need for adjustments. This is due to the fact that these elements are not in any collision with Hungarian culture, market trends or customer expectations. The brand vision and mission for Pastel Hood for Hungary can thus be explained as the following:

Mission: Pastel Hood aims to bring new life and energy into the fashion segment by introducing products that set new benchmarks in style and quality. The mission encompasses two primary objectives: firstly, to deliver superior apparel that adheres to the highest standards of quality, utilizing ethically sourced materials from across Europe and that is produced in Slovakia / Europe. Each product piece is by this standard crafted with a deep commitment to ethical practices and excellence. Secondly, Pastel Hood aims to give power to individuals to boldly express their unique style and personality. The apparel of the brand is designed not just for comfort and durability but as a means for self-expression, allowing wearers to stand out with our distinctive pastel color palette and stylish, bold, and modern designs.

Vision: Pastel Hood aims to create a vibrant community of customers who feel a connection to the brand and are proud to wear the apparel that symbolizes youthfulness and positivity. The brand further aspires for their clothing to not only offer comfort and style but also to serve as an aspect of individuality in a sea of conventional and often bland or monotone fashion options. Each item in the collection aims to be a statement piece, encouraging wearers to shine brightly and confidently in every setting.

3.1.2. Brand Communication

This area has been found to be one of the most important aspects to adjust, since the current communication model of Pastel Hood even in Slovakia hasn't been met with the biggest success so it stands to reason that this part of the brand will need work.

Language

As the current communication language (Slovak) is not viable in Hungary, the choice of language for communication needs careful consideration. Local experts, supported by relevant data, suggest two potential approaches: fully adopting the local Hungarian language or using a more universal English. Utilizing Hungarian for communication could potentially broaden Pastel Hood's appeal, making the brand reach and resonate more broadly with local consumers. However, this approach may pose significant challenges for marketing communications, requiring the creation of a new Instagram account in Hungarian (thereby losing all previous followers) and possibly hiring a native Hungarian speaker to handle all marketing content, as translation technologies may not suffice.

Conversely, using English offers a simpler solution. The existing Instagram page can be seamlessly transitioned to English, and with the target demographic and Pastel Hood's owners already proficient in the language, content creation becomes straightforward. The fact that Budapest Underground operates entirely in English, despite being a Hungarian-based brand, suggests that this approach would not alienate a similar target demographic.

This does not rule out the possibility of developing a Hungarian version of the online store or social media platforms in the future. However, to initially establish itself in the Hungarian market, **English** is proposed as the more practical and cost-effective option.

Communication platforms and content

Taking inspiration from the local streetwear brands DROPP and Budapest Underground, **Instagram** should still be the main communication platform as it is currently in Slovakia. However, it is clear that a more detailed and consistent upload schedule has to be created and maintained to try and boost community engagement. This can be done by challenges, quizzes or potential prize pools or lotteries for the community, rather than just product photos or discount notifications. Subsequently, in the light of Budapest Underground (BPU), a larger emphasis might be placed on the people behind the brand and brand ambassadors or collaborative efforts. This approach works well for BPU as

they exhibit a larger follower count and higher community engagement measured in likes and comments.

Moreover, based on the advice of the experts, collaborative efforts with local Hungarian influencers might be a powerful force in establishing Pastel Hood as a brand the local buyers will recognize and interact with.

3.1.3. Brand identity

Brand Identity of Pastel Hood remains unchanged as this carries over into Hungary without much need for adjustments. This is due to the fact that these elements are not in any collision with Hungarian culture, market trends or customer expectations. Brand identity of Pastel Hood in Hungary can be described as the following:

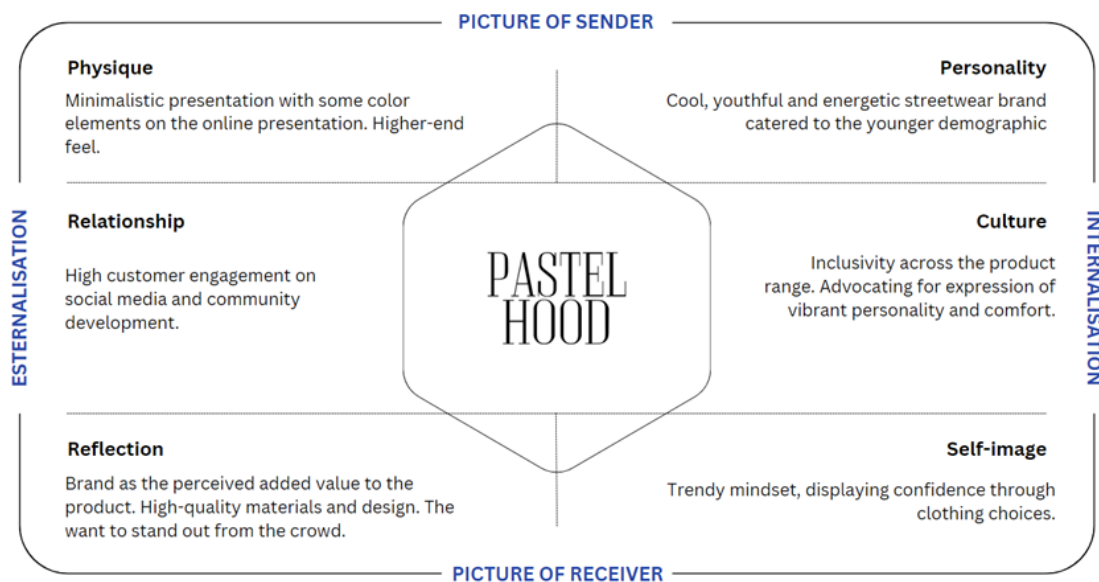


Figure 15: Pastel Hood Brand Identity for Hungary (Based on Kapferer 2012, own processing)

- Physique:** The visual identity of Pastel Hood is created by a minimalist aesthetic featuring pastel colors, which establishes a premium image. This refined style is evident in the brand’s minimalist logo design, color palette, and the overall design of the clothing and, maintaining a consistent visual language that speaks to quality and vibrancy of the brand
- Personality:** Pastel Hood embodies a youthful and energetic persona, reflected in the vibrant style of its products. The brand’s character resonates with a young, enthusiastic demographic, embodying the charisma and energy that this group values and aspires to embody.

- **Culture:** Pastel Hood’s culture is created in inclusivity and personal expression. The brand champions these core values, fostering a sense of diversity and community engagement among its customers. It's a celebration of individuality, encouraging consumers to express themselves freely and confidently.
- **Relationship:** The brand’s relationship with its audience is cultivated through active social media engagement, emphasizing interaction and community building. Pastel Hood positions itself as a partner in the fashion journey of its consumers, supporting them in expressing their unique identities through fashion.
- **Reflection:** Pastel Hood aims to positively enhance the self-image of its customers through the use of high-quality materials and distinctive designs. The brand’s offerings are designed not just to meet the aesthetic desires of consumers but to reflect the aspirational image they wish to project in society.
- **Self-Image:** Shoppers at Pastel Hood recognize that their fashion choices set trends and make bold statements about their identity. By choosing Pastel Hood, they affirm their role as trendsetters, confident in their fashion sense. The brand serves as a vehicle for customers to express their personal style and values, reinforcing their self-image through unique and expressive clothing choices.

3.1.4. Brand positioning

The diagram below shows the brand positioning of Pastel Hood for Hungary dealing with the 4 key facets of:

- Brand for what?
- Brand why?
- Brand for whom?
- Brand against whom?

detailed look at each individual facet of the position diagram follows.

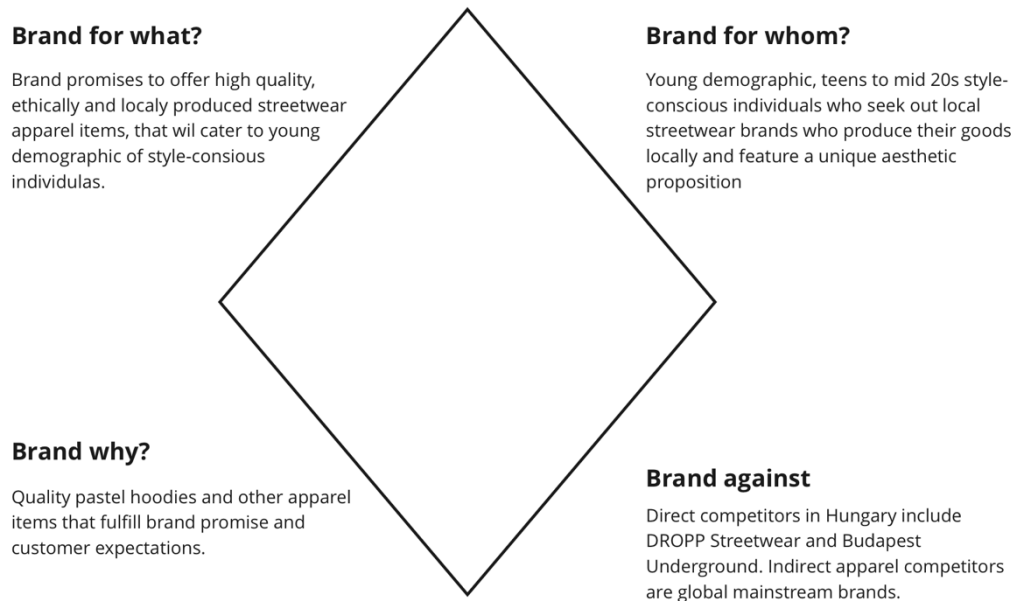


Figure 16: Pastel Hood Brand Positioning in Hungary (own processing, 2024)

Brand for What?

Pastel Hood aims to differentiate itself by committing to high-quality standards and local, ethical production practices. The brand focuses on streetwear that appeals to style-conscious consumers who value both aesthetics and the origins of their clothing. By ensuring that all products are produced under fair conditions and locally, Pastel Hood not only supports local industries but also reduces its environmental impact, aligning with a growing consumer preference and market trend for sustainable and ethically made products.

Brand for Whom?

The target demographic for Pastel Hood includes younger individuals, specifically those from their late teens to mid-20s. These consumers are typically very style-conscious and have a keen interest in fashion trends but also show a strong preference for brands that align with their personal values of sustainability and ethical production. They tend to be well-connected through social media and value authenticity and uniqueness in their

clothing choices, preferring brands that aren't ubiquitous but instead offer something special that not everyone else is wearing.

Brand Why?

The core of Pastel Hood's product offering includes quality pastel hoodies and other apparel items that embody the brand's commitment to high standards and distinctive style. These products are designed not only to meet but exceed customer expectations through their unique color palettes and comfortable fits. The use of pastel tones sets the brand apart in the streetwear industry, which often favors more subdued or bold colors, giving Pastel Hood a niche appeal.

Brand Against?

Pastel Hood positions itself against two main types of competitors:

- **Direct Competitors:** These are primarily local Hungarian streetwear brands such as DROPP Streetwear and Budapest Underground, which directly compete in the same apparel space. These brands often share similar target demographics but might differ in style, production practices, or brand story.
- **Indirect Competitors:** These include global mainstream fashion brands that are available in Hungary. Although these competitors offer streetwear options, their products are typically mass-produced and lack the local, ethical production angle that Pastel Hood promotes. The contrast here emphasizes Pastel Hood's commitment to community support, ethical practices, and local production, which can be a deciding factor for consumers who are mindful of the social and environmental impacts of their purchases.

3.2. Brand Perception in Hungary

The perception of Pastel Hood in Hungary will be shaped by its distinct brand identity which emphasizes quality, ethical production, and unique pastel color schemes. Entering a market like Hungary, where fashion consumers are increasingly leaning towards ethical and local products, Pastel Hood's commitment to these values potentially positions it favorably.

The brand perception will be further influenced by brand identity, positioning, and communication – elements that are described in the previous chapter.

3.2.1. Hungarian consumer

Hungarian consumers, particularly the younger demographic in the targeted niche of streetwear, are increasingly style-conscious and sensitive to the origins and ethical standards of their clothing. This shift mirrors a global trend towards more sustainable consumer habits. Hungarian shoppers in the niche are known for valuing both the aesthetic and ethical aspects of the products they purchase, indicating a preference for items that are not only stylish but also sustainably produced. They are likely to be drawn to brands that offer a strong community feel, resonate with local cultural values, and demonstrate commitment to environmental responsibility.

Hungarian consumers may also be looked through customer personas, each representing distinct preferences and shopping behaviors:

- **The Online Enthusiast:** Young, tech-savvy individuals who enjoy the convenience of online shopping and are open to exploring unique, small brands. They value detailed product information and customer reviews for quality assurance.
- **The Ethical Shopper:** Environmentally conscious and in their early twenties, these shoppers prefer sustainable products and are meticulous about a brand's ethical practices. They are willing to pay more for transparency and sustainability.
- **The Cautious Buyer:** These consumers mix online and physical shopping due to past sizing issues. They are price-sensitive and cautious, needing strong local support and services to consider new brands.
- **The Traditional Shopper:** Skeptical of online shopping, they prefer established brands and require extensive product details, easy return policies, and endorsements from trusted sources before making a purchase.

3.2.2. Brand Association

For Pastel Hood, building positive brand associations in Hungary is essential as the brand wants to have an instant image-action recognition when the consumer sees the logo or hears the name. This involves linking the brand with attributes such as,

youthfulness, quality, and a sense of community – all to be communicated by the brand on Instagram and their online store to help build this association.

Next, given the brand's unique selling proposition of pastel-colored streetwear, it could be associated with creativity and a vibrant, youthful spirit. Additionally, by leveraging its ethical production practices and the use of locally sourced materials, Pastel Hood can foster associations with sustainability and social responsibility - traits highly valued by Hungarian consumers, especially within the younger demographic that is both environmentally aware and active on social media.

3.2.3. Brand Value Proposition

Based on the Value Proposition Canvas outlined in the theoretical part and based on the findings in the analytical part, the value proposition of Pastel Hood in Hungary may be described as the following:

Customer Jobs

- Seeking stylish and distinctive streetwear that stands out.
- Looking for ethically and locally made, sustainable fashion items.
- Desiring apparel that allows personal expression and supports a unique aesthetic.

Customer Pains

- Difficulty finding streetwear that combines ethical production with unique design.
- Limited options for sustainable, locally produced fashion in Hungary.
- Challenges associated with accessing distinctive fashion that resonates with individual style preferences without compromising on quality.

Customer Gains

- Gaining a sense of individuality and exclusivity through unique fashion choices.
- Feeling good about purchasing ethically made products.
- Enjoying high-quality, durable apparel that maintains its appearance over time.

Products & Services

- High-quality streetwear items such as pastel hoodies, made using ethically sourced materials.
- Locally manufactured products that support the regional economy and minimize environmental impact.
- Limited edition collections that cater to the desire for exclusivity and uniqueness.

Pain Relievers

- Offering a range of sustainable and ethically produced fashion items that meet the quality and aesthetic expectations of Hungarian consumers.
- Ensuring easy access to product information and transparency regarding sourcing and production practices.

Gain Creators

- Enhancing customer satisfaction by providing exclusive fashion items that make wearers stand out.
- Supporting customer values by aligning product offerings with environmental and ethical standards.
- Building a community around the brand, fostering a sense of belonging and connection among customers.

3.3. Other strategic considerations

During the analysis, several aspects stood out that should be further considered during the process of internalization into Hungary. These considerations might highly improve the chances of gaining a foothold in the market and establishing itself as a successful brand.

3.3.1. Widening product offering

One of the significant gaps of Pastel Hood in comparison to both its indirect and direct competitors is its limited product selection. Currently, Pastel Hood's inventory consists solely of a single style of hoodie available in three color variations. This small range heavily limits the brand's ability to retain customers and capture a broader market share

throughout the entire year as hoodies are not a year-round product, rather a seasonal one.

In contrast, the analytical part of the thesis revealed that competing small streetwear brands in Hungary offer a much more diversified product line. These competitors have successfully expanded their portfolios to include not just hoodies but also t-shirts, caps, crewneck sweaters, jumpers, and other apparel. This variety not only enables these brands to cater to a wider range of consumer preferences but also allows them to maintain customer engagement across different seasons and fashion cycles.

Expanding the product range could potentially unlock new customer segments for Pastel Hood and improve its market presence. By introducing more variety into its offerings, Pastel Hood could enhance its appeal, meet consumer demand more effectively, and encourage repeat purchases, which are crucial for long-term customer retention and brand loyalty.

To capture this wider market and extend their viability throughout the year it is recommended to extend the product range by:

- T-shirt selection
- New refreshed hoodie design
- Shorts or sweatpants options
- Socks

By implementing this measure, the Pastel Hood brand stands a better chance to compete with the other market players and give their community a reason to come back and shop with the brand once again.

3.3.2. Pop-up stores

In response to the Hungarian market preferences and Pastel Hood's strategic need to drive customer engagement the brand should consider establishing seasonal pop-up stores, primarily in Budapest. The objective of this initiative is to capitalize on the local consumers' preference for brick-and-mortar shopping experiences, which remains large despite the global trend towards online retail.

Strategic Timing and Location

Considering the consumer behavior in Hungary, where shoppers show a significant inclination towards experiencing products firsthand, launching pop-up stores twice a year once in the fall and once in the summer would strategically cover key shopping periods and cover the product range of Pastel Hood (considering its widening).

Budapest would be the ideal location as it offers an ideal locale for these pop-up initiatives due to its high foot traffic.

Objectives of Pop-Up Stores

The primary objectives of the pop-up stores are as follows:

- **Product Showcasing:** These stores will provide a platform for Pastel Hood to showcase the full range of its products, including new releases and exclusive items.
- **Customer Engagement:** Direct interaction with consumers will help in building brand awareness and loyalty. It also offers an opportunity to gather customer feedback.
- **Market Penetration:** By setting up in visible areas, Pastel Hood can increase its brand presence in the Hungarian market.
- **Brand Experience:** Creating a memorable brand experience can significantly enhance customer perception of Pastel Hood.

This also provides a good opportunity to make numerous photographs and videos to be further used as promotional material and content for the Pastel Hood Instagram page. Furthermore, appearing physically in Hungary will further cement the brand as personal and not online-only which may resonate with local buyers and bring positive long-term benefits.

3.4. Steps of Proposal Implementation

This section describes the necessary steps of implementing the above-described proposals and recommendations.

- **Pilot testing the brand in Hungary:** With the design elements in place, it is essential to pilot test the brand in the target markets. For Pastel Hood, this means keeping detailed data and statistics in Hungary to assess how the brand resonates with potential customers and what associations it triggers, and the clarity and attractiveness of its messaging and keep a log of any potential changes or adjustments that need to be made.
- **Setting up communication platforms:** As described above, the language of the online store and Instagram has to now include English. For the online store this means a complete translation of all existing texts.
- For Instagram this means translating the existing posts to English and including English captions with recorded video content.
- **Initial market entry to Hungary:** Hungary is selected as the inaugural market for Pastel Hood. The entry strategy should be cautious and well-paced. Initially, the focus will be on engaging customers and starting to fulfill small-scale orders.
- **Evaluating Brand Performance in Hungary:** After entering the Hungarian market, it's crucial to evaluate how well the brand's attributes align with market needs. This assessment will focus on the brand's ability to sustain personal customer relationships and the resonance with the local buyer community.
- **Refining the brand based on market feedback:** Following the market evaluation, necessary adjustments should be considered based on the insights gained. These adjustments might involve modifying certain brand attributes or brand messaging to better meet the expectations and preferences of Hungarian consumers, ensuring the brand's relevance and success in the new market.

3.5. Assessment of the proposed brand development

The purpose of the design part of this thesis was to create a framework for brand development using the theoretical foundations described in the theoretical part and insights from the analytical part. The result is a framework that lays the foundation for brand development for the purposes of internalization of the Pastel Hood brand into Hungary starting with defining its vision, goals, and promise. The proposal continues by elaborating on the strategic steps that the owners of the company will need to take for successful market entry.

The proposal followed the Brand Development Framework outlined in the theoretical part of the thesis and special focus was placed on the areas of the framework that needed to be adjusted or changed in a smaller or more major fashion like for example the brand communication in Hungary on the Instagram and online store channels with respect to the benchmarks conducted with the direct competitive forces on the local market. This also involved the key proposal to choose English as the primary communication language based on the market findings that this offers the best results for the least costs or further complications both in the short and long term.

Another large area was the findings of the preferences of the Hungarian shoppers, who Pastel Hood will cater to, thanks to their focus on highlighting ethical and local production together with a robust brand identity that helps build a community and retention of happy customers, who resonate with the brand messaging.

The conclusion of the proposal elaborates on the procedure of its implementation through various activities that the owners of the company will need to address. The development framework proposal provides a solid foundation for brand development that the company can embrace and, if decided, utilize for its entry into Hungary.

Conclusion to the thesis

The purpose of this thesis was to develop a strategic framework for brand expansion for Pastel Hood, a young and up and coming Slovakian streetwear label, as it prepares to broaden its market reach by expanding into Hungary. This expansion is driven by the owner's aim to capture new customers and increase its market presence internationally.

The theoretical part laid out in the initial sections of the thesis a brand development framework for Pastel Hood's expansion ambitions. This framework was designed to guide the brand's strategic decisions and positioning in the competitive landscape of the Hungarian market in regard to its brand and the need for market adaptation.

In the analytical part of the thesis saw an evaluation of the market's viability and attractiveness was conducted and ultimately finding it a viable option for expansion. A further study into the preferences of local customers in the HU streetwear niche was studied and customer personas were created. Further insights were garnered through a detailed competitive analysis, where local competitors were looked to understand their market positioning and customer base + their communication strategy and used channels. Additionally, interviews with Hungarian market experts were instrumental in refining the brand's strategy to align with local consumer expectations and retail trends and their opinion was given on the viability of Pastel Hood expansion chances and was found favorable.

The proposal segment of the thesis used the analytical findings and connected them with the created brand development framework into actionable strategies. It highlighted specific areas for adaptation and improvement, such as product diversification, marketing communications, and customer engagement strategies tailored to resonate with Hungarian consumers.

Ultimately, this thesis aims to equip Pastel Hood with the necessary tools and insights to successfully expand into Hungary. By addressing each identified area of development—from brand positioning and product offerings to targeted marketing and customer relations, the thesis lays a solid foundation for Pastel Hood's successful expansion into Hungary.

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