

An Examination of Internationalising Luxury Fashion Retailers' Marketing Strategies in Mainland China

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Cite as:

Bai Huifeng (2019), An Examination of Internationalising Luxury Fashion Retailers' Marketing Strategies in Mainland China. *Proceedings of the European Marketing Academy*, 48th, (3295)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.



Title

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Abstract

From the perspective of international retailing, this study examines internationalising luxury fashion retailers' marketing strategies in mainland China, particularly focuses on how their marketing strategies have changed over time, and explores their localised marketing strategies in greater depth regarding their adaptation of marketing mixes. The researcher adopts a pragmatic mixed methods approach, in which comprises a quantitative mail survey and five qualitative case studies. Localised marketing strategies are increasingly popular and important for post-entry business development, although both standardisation and localisation were employed in initial market entry. As well as adapted product portfolio and higher prices, omni-channel strategies for distribution and communication are increasingly important.

Keywords: International retailing; Luxury fashion brands; Localisation; China

Track: International Marketing & Marketing in Emerging Countries

1. Introduction

The rapid growth of emerging markets, especially mainland China, had changed the landscape of contemporary international luxury fashion market (Kapferer et al., 2017). Meanwhile, luxury fashion marketing has become a popular research interest in China. Although the studies have been conducted from various perspectives, such as brand management and consumer behavior, very limited adopted an international retailing perspective (Bai et al., 2017). Moreover, most of prior empirical studies in international retailing have focused on foreign market entry rather than post-entry business development within host markets (Frasquet et al., 2013). Therefore, this study aims to examine luxury fashion retailers' marketing strategies in mainland China, especially explores how these strategies have been changed over time.

2. Literature Review

2.1 Luxury Fashion Retailers

Despite many attempts, here is not a comprehensively acceptable definition of 'Luxury brand' because of subjectivity, socio-cultural influence, and the critical parameters that qualify a brand as a luxury brand are dynamic (Kapferer et al., 2017).

As this study adopts an international retailing scope, luxury brands are considered as

'Luxury fashion retailers', defined as those who

'distribute clothing, accessories and other lifestyle products which are: exclusively designed and/ or manufactured by/ or for the retailer; exclusively branded with a recognized insignia, design handwriting or some other identifying device; perceived to be of a superior design, quality and craftsmanship; priced significantly higher than

the market norm; and sold within prestigious retail settings' (Moore and Doherty, 2007, p278).

2.2 Internationalisation Marketing Strategies

In international markets, achieving a balanced marketing strategy between standardisation and localisation has long been a challenge, particularly in China where considerable intrinsic regional differences exist (Liu et al., 2016). In terms of available resource, degree of control and international experience, Moore and Burt (2007) argued a retailer's internal capacities and trading characteristics ultimately influence their internationalisation marketing strategies, and identified three types of internationalisation marketing strategies, named *International investment*, *Global strategy* (standardisation), and *Multinational strategy* (localisation).

2.3 Luxury Fashion Retailer Marketing Mix

Within the context of the contemporary luxury fashion retail marketing, this study identified the core elements of luxury fashion retailers' marketing mix according to Wigley and Chiang (2009). Based on the classic 4Ps, these include:

- Product
 - Product design
 - Product sourcing
 - Product portfolio
- Price
 - Pricing strategies
- Place
 - Omni-channel distribution strategies

- Promotion
 - Omni-channel communication strategies
 - Chinese brand names

3. Methodology

The paradigm adopted by this study is pragmatism, which advocates that there is no pre-determined theory with which to shape knowledge and understanding in the social world, therefore supports mixed methods researches. The four key factors of a mixed-method (Creswell and Plano Clark, 2017) adopted in this study include:

- *Timing*, quantitative (a mail survey) is carried out first
- *Weighting*, priority is given to qualitative data and qualitative research
- *Mixing*, the data collected from the quantitative study was used to identify (connect) the research questions for the qualitative study
- *Theorising*, the internationalisation marketing strategies (Moore and Burt, 2007) and the fashion retailer marketing mix (Wigley and Chiang, 2009) underpinned the research

The three criteria for sampling are: originated from foreign markets; having experiences in China for at least two years; having retail operations in at least two cities. Thereafter, the database was developed through three major sources: 1) the members of reputable luxury committees, including Comite Colbert (France), Fondazione Altagamma (Italy), the Walpole and the British Council of Fashion (UK), and the Council of Fashion Designers of America (US); 2) the directories of the Peninsula Hotel (Beijing) and the top ten luxury malls in mainland China; 3) the marketing reports from reputable organisations.

The questionnaire was designed to examine, from a macro perspective, luxury fashion retailers' marketing strategies in their initial Chinese market entry and then in their post-entry expansion in mainland China through using a 5-point Likert scale, with space for additional comments. Moreover, the five participating case retailers are those who showed their willingness during the mail survey. The ten executive interviews (two in each case) were conducted as primary data collection. The quantitative data were analysed through descriptive statistical analysis using SPSS package 21. The qualitative data were analysed by Thematic Analysis.

4. Findings & Discussions

4.1 Profiles of the Survey Respondents

There are 63 responding luxury fashion retailers out of 130 sample retailers provided the valid feedbacks. The response rate hence is 48.5%. Amongst the 63 respondents, there were 13 respondents each from Italy and UK, contributing 21% of the sample respectively as the highest response rates. In terms of retail formats, these respondents fall into three categories: design houses that provide a wide range of products (42; 66.7%), product specialists in leather accessories (14; 22.2%), and product specialists in jewellery and watches (7; 11.1%). Based on ownership structure, the respondents are classified as independent brands (34, 54%) and group owned subsidiaries (29, 46%). Nearly equal numbers of responding luxury fashion retailers entered mainland China

before 2002 (31, 49.2%) and after 2002 (32, 50.8%). The majority of them (59, 93.7%) chose Beijing/Shanghai as their entry market.

4.2 Marketing Strategies

There are 30 (47.6%) and 33 (52.4%) of the respondents adopted standardisation and localisation strategies respectively to enter into China. Based up the 5 point Likert scale, the higher mean value indicates the higher degree of importance. The reasons behind standardisation market strategies include: maintain brand uniformity (4.73, 100%), brand management culture (4.23, 100%), benefits from economies of scale (3.41, 84.1%) and fast expansion (3.50, 90.0%). On the other hand, the motivations behind standardisation market strategies include: large perceived psychic distance (3.00, 63.2%), tailoring marketing mix to local market conditions (4.00, 100%), ambitions to learn local knowledge & satisfy local demands (4.26, 100%), and the perception of that standardisation dampens entrepreneurship spirit (3.58, 100%).

However, increasing numbers of respondents have changed their marketing strategies from standardisation to localisation for post-entry expansion and operation. which is evidenced by 55 (87.3%) survey respondents. For instance, participating retailer E, a group-owned German leather accessories specialist which entered into China in 1996, changed their marketing strategy from standardisation to localised marketing strategies. The change was motivated and encouraged by increasing brand awareness and financial capacity, accumulated experience and local knowledge, and the desire to satisfy local

demand more effectively in the Chinese market. The interviewee explained that:

‘After a few years success in the Chinese mainland market, particularly higher brand awareness and increasing experiences and understanding, we were encouraged to adopt a localized marketing strategy because we want to better satisfy Chinese consumers’.

4.3 Localised Marketing Mix

4.3.1 Product

All participants have adapted their products in China, especially fashion oriented brands. In terms of product design, the brands have to adapt the size, colour, fabric, design and cutting. Regarding product sourcing, only participating retailer A, a group owned British design house which entered into China in 1997 and adopted a localised marketing strategy, sources non-key products locally, which is motivated by partners’ depth understanding of local knowledge. In terms of product portfolio, all participants have adapted their product portfolios. Participating retailer D, an independent French design house which entered China in 1996 and adopted a localised marketing strategy, differentiates their product portfolio according to regional differences in China, said:

‘Every store manager in China has the right to make decisions about their products, so the products in every store are different; for instance, we sell fewer cashmere products in south China than in the north because of the different climate’.

4.3.2 Price

It is identified that luxury fashion retailers have tailor their pricing strategies in mainland China, evidenced by the higher prices than in other markets, notably in

Hong Kong. These higher prices are not only caused by high import tariffs and taxes, currency fluctuations and purchasing power, but also local conditions, such as cultural influences. For example, participating retailer B, a group-owned French design house which entered into China in 1992 and changed their marketing strategy from standardisation to localised marketing strategies, explained:

'It is impossible to standardize price across the world ... We also consider various conditions in China when designing our pricing strategy, for example, customers will not regard your brand as a luxury brand if the price is not luxury'.

4.3.3 Place

This study recognised that the key to sustainable success in mainland China is to integrate online and offline operations through an omni-channel distribution strategy which supports luxury fashion retailers to provide consistent brand experiences. E-commerce and brick-and-mortar stores are thus closely connected with each other. For instance, participating retailer C, a group owned Italian design house which entered China in 2007 and adopted a localised marketing strategy, stressed:

'E-commerce has become a vital part of our business in China. However, all online operations are needed to integrate with stores to ensure the same brand experiences'.

4.3.4 Promotion

Similarly, integrating traditional media and new world media through an omni-channel communication strategy will be an increasingly important and popular path in China. In addition, omni-channel strategies in communication and distribution are strongly

interrelated, especially offline brick-and-mortar stores and online social media. For instance, participating retailer D explained:

‘We have started to integrate Weibo and WeChat as part of our distribution strategies, as we can wholly control these online businesses. Also, there are over 800 million internet users in China, an opportunity which cannot be underestimated’.

Furthermore, all participants have named their brands in Chinese, although the naming process is challenging, and solid local knowledge required. As a geographically and psychically remote market, it is difficult to raise brand awareness and loyalty without a Chinese name.

5. Conclusion

In the context of China, this study, from the perspective of international retailing, innovatively examines luxury retailers’ internationalisation marketing strategies, and explores the changes of these marketing strategies over time. It also contribute to demonstrate that how foreign luxury retailers have achieved success in China through adapting their marketing mix to the local conditions. The findings of this study are generated from mainland China. Despite of small samples, these five case retailers, across wide range of country of origin, retail formats and key products, and ownership structure, are varied enough to show the actual market. Furthermore, as this is an exploratory study, subsequent studies can examine the findings within other geographic markets and/or for other kinds of companies.

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