EXAMINING THE GLOCALISED MARKETING STRATEGIES OF LUXURY FASHION RETAILERS IN CHINA

Hui Liu (corresponding author)

Liverpool Business School

Liverpool John Moores University, Liverpool, United Kingdom

H.Liu@2021.ljmu.ac.uk

Huifeng Bai

Liverpool Business School

Liverpool John Moores University, Liverpool, United Kingdom

H.Bai@ljmu.ac.uk

Keywords

International retailing, International marketing, Marketing strategies, Luxury fashion marketing, Global, Multinational, Glocalisation, Standardisation, Localisation, mainland China

Introduction

Over the last decades, the mainland China market has accounted for over 38% of global fashion industry growth, with an impressive 70% of the expansion in the luxury segment (McKinsey & Company, 2020). According to Fickling (2018), Deloitte (2021) and Bai *et al.* (2022), China and India are the top countries of origin for emerging market multinationals in luxury fashion retail. For the luxury fashion market in China, it is increasingly described as a 'red sea', because internationally famous brands have already operated for decades, whereas new domestic players are also becoming competitive due to the rocketing capital market and consumers' purchase power (Perry *et al.*, 2020). This may imply that a simple standardised global or an adapted multinational marketing strategy is not advantaged due to homogenised offerings of products and services (Kim *et al.*, 2020). Considering the context of retail internationalisation, a crucial component of market success is social embeddedness in the local market (Burt *et al.*, 2017). Siebers (2012) identified that psychic distance reduces with higher levels of localisation whilst foreign retailers who are better able to interpret institutional factors and market infrastructure benefit and are more likely to be successful in their core business. However, a single localised approach may be not preferred since these foreign retailers acquired and retained Chinese consumers based on their sound international reputation. As noted by Bai *et al.* (2021b), especially at the post-entry business development, those international retailers require a proactive stance to sustain their long-run expansion, refine their business goals, and optimise their retailing portfolio in China market. In other words, rather than fully applying either of the two, an integrated approach between standardisation (global) and localisation (multinational) may be urged. While the debate is ongoing, whether the theoretical points could be evidenced from the China market is worthwhile to be discussed.

Purpose

There is an extensive discussion of the literature on international marketing strategies at a country market level, and these focused on a relatively static perspective (Wang and Liu, 2008; Bai *et al.*, 2018). Moore *et al.* (2010) found that literature on international retailing focuses more on supermarkets than luxury fashion retailers. Moreover, a firm that operates in an international environment needs dynamic capabilities to assimilate knowhow and integrate it into its strategy (Frasquet *et al.*, 2013). For example, IKEA through the business model of incremental change in the last decades while initial entry to China was standardised then became more local and then integrated into the global (Burt *et al.*, 2021).

In this instance, this study aims to examine internationalising retailers' changing marketing strategies from initial market entry to post-entry business development. This allows us to develop a dynamic and continuous model of international marketing strategies from market entry to post-entry phases in the context of the Chinese luxury fashion retail market. Especially, from global to multinational and finally to glocal. Following research questions are investigated to fill these gaps in the current literature:

- Have international luxury fashion retailers changed their marketing strategies between initial entry to post entry, and why?
- What is the most effective international marketing strategy for business developmental management after their initial into China/post-entry, and why?
- How are international luxury fashion retailers' marketing strategies in China integrated into their global marketing strategies through the dynamic glocalisation process?

Conceptual framework

An important inquiry of this study is about the role of global and multinational for international luxury fashion retailers to maintain their business development in China market. Being this study is the perspective of international retailing, the definition of luxury fashion retailers by Moore *et al.* (2010) is measured to be the most applicable for this study which includes:

> *[…] distribution of clothing, accessories, and other lifestyle products designed and/or manufactured exclusively by/or for the retailer; identified with a trademark, design handwriting, or some other distinguishing feature; priced significantly higher than market price; and displayed within prestigious retail environments. (p.143)*
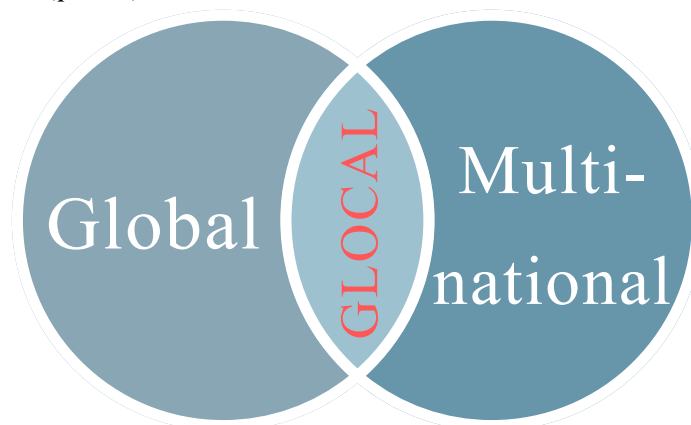
Figure 1: Initial Conceptual Framework

As Figure 1 shows that the integrated part between global and multinational is glocal. Theoretical underpinning is international marketing strategies, and the context is international luxury fashion retailing. Furthermore, the marketing mix needs to be adapted to retailers. More specifically, within the retailer marketing mix, this study can be divided into four sections: Product, Promotion, Price, and Place. Additionally, literature considered luxury fashion brands.

Existing studies also provide sufficient knowledge about how to adjust between the global and local strategies. Noted to Wigley and Moore (2007), to support fashion retailers' business success in their internationalisation process, three particular components should be considered, including coherent international brand management, disciplined distribution control, and retail presentation consistent with the marketing image. However, as different companies may have their own levels of organisational capabilities and face specific market conditions, it is difficult for them to adjust between standardisation and localisation. Identified by Liu *et al.* (2016), there exists a global-local dilemma for those international luxury fashion brands operating in China, which requires the businesses to employ highly adaptive marketing communication and standardised branding activities, rather than a simple localisation strategy that may confuse consumers' brand awareness. However, aiming at the production process, Kapferer (2012) shows that when international luxury fashion companies highly rely on their standardisation of manufacturing with the international supply chain to decrease production costs, their brands would lose their cultural origin, which decreases the vision of luxury fashion as a high value-added business. Linked to the marketing mix theory, how to make effective use of standardisation and localisation may be still a challenging task because the businesses should make wise choices to drive their business development into components such as products, place, promotion, and price.

As the core concept to develop this study, the role of glocalisation that overthrows the 'either-or' mindset should be recognised. Burt *et al.* (2016) noted that the concept of territorial embeddedness was implied by using the term 'glocalisation' in several studies. As explained by Robertson (1992), glocalisation is the simultaneous presence of universalising and particularising tendencies in a social, political, or economic system. It is a new understanding of 'globalisation', allowing any agents to reconsider the tempering effects of local conditions on global pressures. On the epistemological level, glocalisation enables the fusion between universalism and particularism (Roudometof, 2016), so that an international business could take the mutual influence between its global and local strategy as a whole process. Aiming at international businesses, Foglio and Stanevicius (2006) outline five core components that constitute a complete picture of a glocal business. These are: 1. a strategic synergy between globalisation and localisation; 2. a unified system to manage global and local markets; 3. articulating a system of activities in supporting the glocal value chain; 4. implementation of a glocal plan through producing and selling; and 5. a particular method allowing the business to focus on the global or local market respectively. While these findings are not exhaustive to conceptualise glocalisation, they can be still used as the starting point to see how well the international practitioners have adopted the glocal operations in China's luxury fashion market.

Apart from the conceptual strands of this work, it is also important to know practical knowledge about the international luxury fashion players in China. As noted by Bai *et al.* (2021a), differentiated from their entry mode, international retailers develop three particular models of expansion in the post-entry period, including cautious, regional and countrywide. As a geographic process of expansion, while they have been successful in tie-1 cities, how penetrating the tie-2 and tie-3 regions is still a challenging task due to different levels of economic development and consumer culture. In other words, it is not only the conditions of the national market that urge international players to adjust their operations but also the geographic differences within the market that may further complicate and diversify their

strategic direction in balancing between standardisation and localisation. More importantly, while Bai *et al.* (2017) identify that the three strategies of post-entry expansions have been employed by international retailers, including direct controllership, local partnerships, and omnichannel distribution, whether there exist any common patterns in assigning particular expansion modes in corresponding to their strategic direction should be further explored. In this way, the glocalisation process would support the study.

Methodology

In general, this study will employ a pragmatic two-stage mixed-methodology to achieve the three research questions, as mixed methods can provide a comprehensive and deep understanding of an issue while utilising only one method would not produce the desired results (Creswell and Creswell, 2018). On the one hand, this study requires the identification of overall patterns of international retailers' operations in China, so that the quantitative measurement could provide a highly reliable, valid way to generalise findings through research data. On the other hand, while the quantitative methods allow an objective assessment, it still needs in-depth inquiry to discover the reasons why the quantitative findings are produced in certain ways, associated with the contextual knowledge about the research questions (Patton, 2002). In other words, to discover the research phenomena, qualitative methods will be also employed. Some representational examples of international luxury fashion retailers in China will be selected as the research samples. Based on Deloitte's annual list of 100 luxury companies in the world, the screening was conducted which is evaluated mainly by established organisations' marketing reports, including Bain & Company, KPMG, Mintel and McKinsey & Company. In the plan, these include LVMH, GUCCI, VERSACE, BURBERRY, PRADA, DIOR, CHANEL, GIORGIO ARMANI, HERMES and MULBERRY. The selection of samples for testing will take place through the Chinese Ministry of Commerce website, such as T-mall, Jingdong, China's top ten luxury shopping centers, and other channels.

Following the concurrent design that supports both the quantitative and qualitative inquires for these firms, three particular sources of data will be included. Firstly, to examine the uses of standardisation and localisation in the international luxury fashion retailers through managers' perspective, a Likert-scale questionnaire will be designed and delivered to the managerial roles in the organisations as the research respondents. A greeting/e-card/e-mail that incorporates our university's logo will accompany the survey, explaining the purpose and reassuring respondents of their anonymity and confidentiality. Through means of statistical inference, the overall patterns about how the retailers have deployed their post-entry expansion can be extracted. The options for luxury fashion retailers will be selected from approximately 130 in order to ensure a high response rate. Secondly, to collect qualitative data, a set of semi-structured interviews will be developed. To diversify the perspectives of findings, interviewees will not only be selected from the organisations, but also from third-party stakeholders such as professionals in business consultancy, media, and education. To conduct qualitative research, the researcher will ask first-stage participants if they would like to participate in the second stage of the in-depth interview that the study pre-considered executive number as 12. Information about the interviewers will be available on the official website while the researcher will contact via their university official student email address and without any prior interactions between these stakeholders. The interview data will be analysed through a content analysis. While these sources of data and analysis involve individuals' subjective experiences, a document analysis will be also prepared. This aims to identify the knowledge about how the retailers fit the glocalisation trends by analysing their financial reports, business proposals, and other reliable sources of documents.

As a quantitative analysis, the mean value is compared to the independent sample t-tests in SPSS 22 in order to extract the overall pattern of how retailers implement their post-entry expansions. Following that, the qualitative data are analysed with thematic analysis in NVivo 12 while thematic coding is performed. A number of codes and references were created with NVivo 12, which was preserved in an index system, in order that data could be accessed and explored.

Projected Findings

The research is ongoing and has not yet been completed, there are several findings of gaps in the existing literature. Currently, studies, such as Huang *et al.* (2007), Tse (2015) and Kim *et al.* (2020), have explored how international players glocalise their luxury fashion business in China. Yet, most of them studied the phenomenon through a viewpoint of either branding, advertising, or customer relation. The majority of the previous studies viewed from an international business perspective, this research considered international marketing and international retailing perspective. The prior studies focused on a relatively static perspective (Wang and Liu, 2008; Bai *et al.*, 2018), however, retailer internationalisation is a dynamic and continuous process (Bai, 2021c), this study aims to develop a dynamic and continuous model of international marketing strategies from initial Chinese market entry to post-entry business development. Existing literature has focussed on developed markets more than China (Bai, 2022). In addition, literature on international retailing focuses more on supermarkets than luxury fashion retailers (Moore *et al.*, 2010). By reviewing these literatures, a new paradigm of glocalisation that requires a business to 'think globally and act locally' may enrich their business visions in the process of internationalisation.

Potential contributions

Luxury fashion retailers have previously ignored the Chinese mainland market, which is economically significant (Bai *et al.*, 2017). The study, therefore, will focus on the Chinese mainland market that supplements the gap. Within a global and Chinese context, this study may make three theoretical contributions to the retailer internationalisation literature. Firstly, to address the gap of only a few previous studies adopted an international retailing perspective (Bonetti, 2014; Bai *et al.*, 2018), this study will provide an in-depth insight into the current international retailing literature by examining the relative effectiveness of international marketing strategies of international luxury fashion retailers entering into the Chinese market. Secondly, Bai *et al.* (2021a) highlighted that prior studies have examined retailers from developed markets rather than emerging markets. This study would enrich the literature on emerging market strategies through exploring the effective international marketing strategies for business developmental management after their initial into China/post-entry via its use of pragmatic mixed methods research approach. Finally, internationalisation in retail is a continuous and dynamic process (Bai *et al.*, 2017), this study thus will be conducive to the knowledge of glocalised marketing strategies by evaluating how international luxury fashion retailers' marketing strategies in China are integrated into their global marketing strategies through the dynamic glocalisation process.

Potential practical implications

This study will demonstrate that international luxury fashion retailers may not complete achieving success upon their entry and post-entry into the China market, neither by fully

applying either standardisation or localisation. In addition, the international luxury fashion retailers would be suggested to adopt glocalised marketing strategies in China. Finally, the study possibly implies the importance of an integrated approach for international luxury fashion retailers to maintain their business development in China market.

Research potential limitations and outlook

As this study will examine only the mainland China market, the further findings would like to be of limited value when attempting to explain other nations' markets. Besides, the sample size may relatively small, which could also present a challenge. Additionally, the Initial Conceptual Framework model could test and extend. Further understanding of the glocalisation of luxury fashion retailers is expected.

References

Bai, H., McColl, J. and Moore, C. (2017), "Luxury retailers' entry and expansion strategies in China", *International Journal of Retail & Distribution Management*, Vol. 45 No. 11, pp. 1181-1199.

Bai, H., McColl, J. and Moore, C. (2018), "Hong Kong, a gateway for mainland China? Examining the impact of luxury fashion retailers' ownership structures on expansion strategies", *International Journal of Retail & Distribution Management*, Vol. 46 No. 9, pp. 850-869.

Bai, H., McColl, J., Moore, C., He, W. and Shi, J. (2021a), "Direction of luxury fashion retailers' post-entry expansion – the evidence from China", *International Journal of Retail & Distribution Management*, Vol. 49 No. 2, pp. 223-241.

Bai, H., McColl, J. and Moore, C. (2021b), "Motives behind retailers' post-entry expansion - Evidence from the Chinese luxury fashion market", *Journal of Retailing and Consumer Service*s, Vol. 59, p. 102400.

Bai, H., McColl, J. and Moore, C. (2021c), "Luxury fashion retailers' localised marketing strategies in practice – evidence from China", *International Marketing Review*.

Bai, H., He, W., Shi, J., McColl, J. and Moore, C. (2022), "Parenting advantages of emerging market multinationals (EMNCs) in luxury fashion retailing", *International Journal of Retail & Distribution Management*, Vol. 50 No. 1, pp. 1-17.

Bonetti, F. (2014), "Italian luxury fashion brands in China: a retail perspective", *The International Review of Retail Distribution and Consumer Research*, Vol. 24 No. 4, pp. 453-477.

Burt, S., Johansson, U., and Dawson, J. (2016), "International retailing as embedded business models", *Journal of Economic Geography*, Vol. 16 No. 3, pp. 715- 747.

Burt, S., Johansson, U., and Dawson, J. (2017), "Dissecting embeddedness in international retailing", *Journal of Economic Geography*, Vol. 17 No. 3, pp. 685-707.

Burt, S., Dawson, J., Johansson, U., and Hultman, J. (2021), "The changing marketing orientation within the business model of an international retailer–IKEA in China over 10 years", *The International Review of Retail, Distribution and Consumer Research*, Vol. 31 No. 2, pp. 229-255.

Creswell, J. W. and Creswell, J. D. (2018), "*Research design: qualitative, quantitative & mixed methods approaches*", 5th edition, international student edition, Los Angeles: SAGE.

Deloitte (30th Nov 2021), "Global Powers of Luxury Goods 2021 – Breakthrough luxury", available at: https://www2.deloitte.com/global/en/pages/consumer-business/articles/gx-cb-global-powers- of-luxury-goods.html (accessed 11 April 2022)

Fickling, D. (9th Jan 2018), "Watch Out, LVMH. China Inc. Is Coming – Shandong Ruyi already has a luxury portfolio and is unlikely to stop at Bally", *Bloomberg*, available at: https://www.bloomberg.com/opinion/articles/2018-01-09/watch-out-lvmh-and-kering-china-inc-is-coming (accessed 11 April 2022)

Foglio, A. and Stanevicius, V. (2006), "Scenario of glocal marketing as an answer to the market globalization and localization. Part I: Strategy scenario and market", *Vadyba/Management*, Vol. 1 No. 10, pp. 26-38.

Frasquet, M., Dawson, J., and Mollá, A. (2013), "Post-entry internationalisation activity of retailers: An assessment of dynamic capabilities", *Management Decision*.

Huang, K., Li, S. and Belk, R. (2007), "Glocal understandings: female readers' perceptions of the new woman in Chinese advertising", *Journal of International Business Studies*, Vol. 38 No. 6, pp. 1034-1051.

Kapferer, J. (2012), "Why Luxury Should not Delocalize: a critique of a growing tendency", *European Business Review*, pp. 58-62.

Kim, S., Ka, Y., Xia, B., Xu, N. and Yin, X. (2020), "Brand name and ethnicity of endorser in luxury goods: does a glocalization strategy work in China?", *International Journal of Advertising*, Vol. 39 No. 6, pp. 824-842.

Liu, S., Perry, P., Moore, C. and Warnaby, G. (2016), "The standardization-localization dilemma of brand communications for luxury fashion retailers' internationalization into China", *Journal of Business Research*, Vol. 69 No. 1, pp. 357-364.

McKinsey & Company. (1st Apr 2020), "The State of Fashion 2020", available at: https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/the%20state%20of%20fashion%202020%20navigating%20uncertainty/the-state-of-fashion-2020-final.pdf (accessed 11 April 2022)

Moore, C., Doherty, A. and Doyle, S. (2010), "Flagship stores as a market entry method: the perspective of luxury fashion retailing", *European Journal of Marketing*, Vol. 44 No. 1/2, pp. 139-161.

Patton, M. (2002), "Two Decades of Developments in Qualitative Inquiry: A Personal, Experiential Perspective", *Qualitative Social Work*, Vol. 1 No. 3, pp. 261-283.

Perry, P., Barnes, L. and Ye, T. (2020), "The Evolution of the Chinese Luxury Fashion Consumer: An Interpretive Study of Luxury Value Perceptions", in Cantista, I., Sádaba, T. (eds), *Understanding Luxury Fashion*, London, Palgrave, pp. 175-202

Robertson, R. (1992), "*Globalization: Social Theory and Global Culture*", London, SAGE Publications.

Roudometof, Y. (2016), "Theorizing glocalization: Three interpretations", *European Journal of Social Theory*, Vol. 19 No. 3, pp. 391-408.

Siebers, L. Q. (2012), "Foreign retailers in China: the first ten years", *Journal of Business Strategy*.

Tse, H. (2015), "An ethnographic study of glocal fashion communication in Hong Kong and Greater China", *International Journal of Fashion Studies*, Vol. 2 No. 2, pp. 245-266.

Wang, X. and Liu, Y. (2008), "An Empirical Study on the Location Selection of Foreign Direct Investment in China's Retailing Industry", *China Business and Market*, Vol. 21 No. 6, pp. 57-60.

Wigley, S. and Moore, C. (2007), "The operationalisation of international fashion retailer success", *Journal of Fashion Marketing and Management*, Vol. 11 No. 2, pp. 281-296.

Keywords