

LUXURY FASHION RETAILERS' OMNI-CHANNEL DISTRIBUTION & COMMUNICATION STRATEGIES IN MAINLAND CHINA

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Introduction

The landscape of the international luxury fashion retail market has dramatically changed from being dominated by Western developed markets (i.e. West Europe, North America and Japan) to a focus on emerging markets, especially China (Bonetti et al., 2017). The Chinese luxury fashion market has rapidly developed since the 1990s, and increasing numbers of luxury retailers have established operations in the market since then (Zhan and He, 2012). According to Bain (2015), the Chinese luxury market exhibited a double-digit growth rate between 2008 and 2014, a time period when many traditional luxury markets experienced economic recession, and increased in value from \$14.3 billion to \$25.3 billion. Despite a slowdown since late 2014, the majority of luxury retailers remain optimistic, and believe that this has been a transition period, evidenced by their continuous further expansion into China (He and Wang, 2017).

The fast growth of technology, especially in relation to the Internet and more advanced electronic devices, has changed the ways in which luxury retailers distribute products and promote brands thus influencing consumers' lifestyles and consumption behaviour (Chaffey and Ellis-Chadwick, 2016). China has reached 800 million internet users, which accounts for one fifth of global users (Liu, 2017). Because of the fast growth and strong performance of e-commerce, the question of 'whether e-commerce will replace retail stores' (evidenced by the wave of recession and shutdown of many retailers in America) has been debated. Similarly, the traditional media is also severely challenged by new-world media (evidenced by the decline of many printed media outlets). Therefore, fast changing consumer lifestyles in China requires luxury retailers to respond to their needs appropriately, particularly through adopting omni-channel distribution and communication strategies.

Purpose

Many prior studies have focused on e-commerce, digital marketing, and multi-channel marketing strategies; however, the omni-channel distribution and communication strategies are still at the early stage of development (Fernie and Sparks, 2014). Few studies up to date have focused on the interrelations between the omni-channel distribution and communication strategies of luxury fashion retailers (Kent et al., 2016). This study therefore aims to examine the influence of e-commerce and new-world media towards retail stores and traditional media through exploring internationalising luxury fashion retailers' omni-channel distribution and communication strategies in China.

Conceptual framework

This study can be located in 'Place' and 'Promotion' within retailer 'Marketing mix'. Other related theories involved include international retail, digital marketing, localised marketing strategies, and luxury fashion brand management.

Methodology

As this paper seeks to answer 'why' and 'how' research questions, it adopts an interpretivist approach and uses a qualitative multiple case study research methodology. Twelve participating retailers (across a range of countries of origin, retail formats and ownership structures) are recruited from the members of world-leading professional luxury fashion organisations, including Comité Colbert (France), Fondazione Altgamma (Italy), the Walpole and the British Fashion Council (UK), and the Council of Fashion Designers of America (US). The cover letter, mailed to their head offices, explains the purpose of the case studies. In order to fulfil confidentiality agreements, all the participating retailers' and interviewees' names are coded. The primary data are collected through twelve qualitative in-depth executive interviews. The secondary data are collected through document search and analysis. The data are analysed through thematic analysis.

Findings

Omni-Channel Distribution Strategies

Brick-and-mortar retail stores are indispensable and non-replaceable for luxury fashion retailers (Bai et al., 2017). The functions of a retail store (especially a flagship store) is not only include product distribution, but are also expression of luxury retailers' invisible brand identity, and are used to raise brand awareness (Moore et al., 2010). The luxury fashion sector is heavily reliant on in-store experience, through which consumers can touch and feel the products, and in-store inter-personal communication is vital to create and maintain customer satisfaction and even brand loyalty (Kapferer, 2015). In-store experience is also regarded as a way to protect brands against counterfeits. Participant retailer E (a group owned Italian design house) approved that:

'It is impossible to replace stores by e-commerce, because in-store customer experience is vital, it is a technique to add more customer value and a way to strengthen customer loyalty... More importantly, store and in-store customer service is our strategy to protect the brand and fight against to counterfeits'.

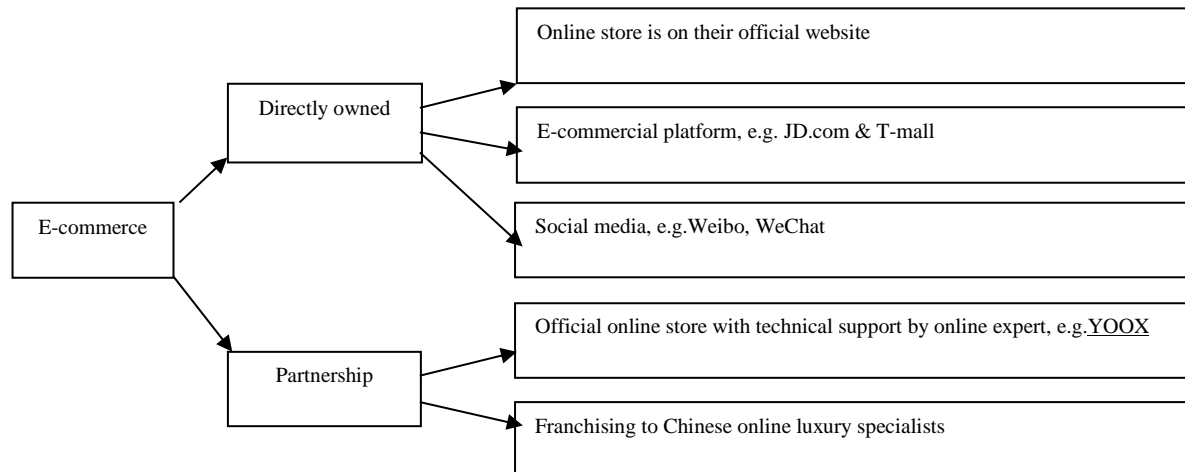
The necessities of physical stores are evidenced by luxury retailers' continuous expansion. In terms of store format, retailers are expanding their retail formats to include flagship stores, standalone stores (often in luxury hotels and luxury malls), concessions, pop-up stores, factory outlet stores, and tax-free stores (Lu, 2011). Regarding to geographic markets, retailers in China have not only strengthened their operations in tier-1 national capitals, but also have extended their operations into wider ranges of tier-2 regional/provincial capitals, and even into tier-3 local markets (Bai et al., 2017). Many retailers are now running more stores in mainland China than in their home markets; examples include Dunhill, Armani, and Hugo Boss (Chevalier and Mazzalovo, 2012).

Meanwhile, e-commerce in China is growing at an unprecedentedly rate. Consumers are no longer restricted by time (store opening hours) and space (limited numbers of retail stores). Therefore, the accessibility has improved. E-commerce is capable of maintaining luxury retailers' exclusive brand image through fewer physical stores. For example, Louis Vuitton entered mainland China in 1992 and by 2018, is running only thirty physical stores alongside e-commerce. In the era of 'Big Data', through online purchase history, retailers can develop advanced digital customer relationship management systems, through which they can tailor unique experiences. Such personalised shopping experiences are potentially able to raise customer satisfaction, trust, and loyalty. Participant retailer A (an independent British design house) explained that:

'China is too big to be covered by retail stores, so it is our responsibility to create chances for customers in some cities where we do not have stores... E-commerce helps us reach wider ranges of potential customers, and tailor their own experience'.

Bai et al. (2017) identified that luxury fashion retailers' e-commerce can be operated either by being directly owned or through partnership (Figure 1). Retailers can directly operate official online stores (within their official websites) or set up wholly owned e-commerce via a Chinese e-commercial platform, such as JD.com/T-mall.com. Indeed, some luxury retailers, such as Mulberry, are running e-flagship stores on T-mall.com. Moreover, the Chinese social media platforms have been employed by these retailers for e-commerce. For instance, Christian Dior and Hermes sold the special edition handbags (for Chinese Valentine's Day) and Apple Watches (Hermes edition) respectively through Weibo and WeChat, which are two of the most popular social media platforms for Chinese Internet users. Alternatively, retailers can operate e-commerce through partnerships, either in agreeing technical support for official online stores (e.g., Yoox supported Bally and Dolce & Gabbana), or franchising to Chinese online e-tailers (such as the partnership between Xiu.com and Salvatore Ferragamo).

Figure 1: Luxury fashion retailers' e-commerce in China



The synergy between physical stores and e-commerce has demonstrated that these two distribution channels are complementary rather than substitutes. Luxury fashion retailers can reduce logistics, warehousing, and labour costs. With the assistance of e-commerce, retailers can increase their profit margins through optimising product mixes in retail stores, such as allocating special edition products. Retailers can also use store space more efficiently and effectively. Moreover, through the data collected by their e-commerce operations, retailers can identify potential markets for their physical stores, evidenced by the increasingly large number of potential markets in tier-2 & 3 Chinese cities. E-commerce can create convenience for consumers. Busy consumers (who are typically working class) can check the stock availability prior to visiting a store. A ‘Click and Collect’ service can be regarded as a loyalty drive, as it stimulates store traffic and drives customer satisfaction. Therefore, stores are better connected to e-commerce.

Omni-Channel Communication Strategies

Traditional media, especially printed media, is still dominant in luxury fashion retailing (Jiang and Wei, 2012). For instance, increasing numbers of luxury retailers, such as Hermes, have recruited professional journalists and invested to publish their own-branding lifestyle magazines, and define their own product category, to raise brand awareness, strengthen their lifestyle brand image, and potentially help them to reach wider ranges of consumers (Chevalier and Mazzalovo, 2012). Participant retailer H (an independent French design house) explained that:

‘Our (own-brand) magazine is vital to strengthen current consumers’ loyalty and to reach more potential customers... It is a vital way to build and maintain our brand image’.

For fashion magazines, retailers must localise their promotion/advertising strategies. Popular fashion magazines such as Vogue and Elle are not as popular as their local/Asian competitors in China, not only because of their higher prices and relatively limited distribution, but also due to their lack of in-depth local knowledge (Li et al., 2012). Therefore, choosing an appropriate fashion magazine in China is vital. As well as TV commerce, the effect of celebrity is also very important in China. Choosing appropriate celebrities, especially for as brand ambassadors or the guests at public events (product launches, new store openings) is

not straightforward, because in-depth understanding of local knowledge is required (Liu et al., 2016). Therefore, a public relation team with solid local knowledge is necessary. Moreover, besides brands' packaging and colour choices, flagship stores can be regarded as an efficient tool to promote their brands. An efficient and effective customer relationship management system is also necessary, and this is interrelated with omni-channel distribution strategies.

Meanwhile, online communication is necessary in the contemporary Chinese luxury fashion market. Besides an official website (for brand and product information) and online stores (high standard customer services), direct online marketing, via email marketing and search engine optimisation, is vital (Chaffey and Ellis-Chadwick, 2016). Retailers must adapt their digital strategies which, for instance, employ Baidu rather than Google, because popular Western online social media such as Facebook and Twitter are all banned in China (Bai, 2016). Retailers must adapt to Chinese social media platforms, particularly Weibo and WeChat, which are the two most popular social media sites in mainland China, and among most Chinese people living foreign countries. Through these social media platforms, retailers can interact and communicate with actual and potential consumers, and monitor and understand consumer reviews of their experiences of products and shopping. E-word of mouth plays a vital role in the younger generation of Chinese consumers' behaviour, as evidenced by opinion leaders in Weibo/WeChat. Participant retailer L (a group owned German leather accessories specialist) emphasised that:

'We have to adapt online communication strategies to Chinese market conditions, you have to use Weibo and WeChat because you have no access to Facebook and Twitter'.

Therefore, luxury fashion retailers should focus on consistent 'lifestyle' brand images and emotional connections through omni-channel communication strategies.

Contribution

This study, adopted an international retail perspective, innovatively examines luxury retailers' omni-channel distribution and communication strategies in China, and explores the interrelations between two types of omni-channel strategies. It contributes to building greater understanding of retailers' adaptations of place and promotion in their marketing mix to the Chinese market.

Practical implications

This study demonstrates that how internationalising luxury retailers have achieved success through adopting omni-channel distribution and communications strategies in a psychically distant market. It identifies the digital platforms forming e-commerce and social media in China, which are widely used by foreign companies who are developing omni-channel distribution and communication strategies in the country.

Research limitations & outlook

The findings of this study are generated from the Chinese mainland market, which means that they are probably limited in their ability to explain other markets. Subsequent studies can examine the findings of this study in relation to other geographic markets and/or for other retailers, especially large-scale multinational grocery supermarket chains. As this is an exploratory study, subsequent studies in more depth are expected which will explore omni-channel distribution strategies, omni-channel communication strategies, and the connections between the two.

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