

Examining Retailer Omni-Channel Distribution Strategies
- Evidence from Luxury Fashion Retailers in Mainland China

Huifeng Bai

Liverpool Business School

Liverpool John Moores University, Liverpool, United Kingdom

H.Bai@ljmu.ac.uk

Purpose

Recently, the question of ‘whether e-commerce will replace retail stores’ has been debated, because the rapid growth of technology, especially in relation to the Internet, digitalisation, and advanced electronic devices, has changed the ways in which luxury fashion retailers distribute products thus influencing consumers’ lifestyles and consumption behaviour (Chaffey and Ellis-Chadwick, 2016). Many empirical studies have focused on e-commerce, digital marketing, and multi-channel marketing strategies; however, the omni-channel distribution strategies are still at the early stage of development (Verhoef et al., 2015). This study therefore aims to examine the influence of e-commerce towards retail stores through exploring luxury fashion retailers’ omni-channel distribution strategies in China.

Originality

From the perspective of international retailing and digital marketing, this study innovatively examines luxury fashion retailers’ omni-channel distribution strategies in

mainland China, especially the details of their adaptation of place (marketing mix) to the Chinese market in a greater depth.

Methodology

This study adopts an interpretivist approach and uses a qualitative multiple case study research methodology, as it seeks to understand ‘why’ and ‘how’ research questions. 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 documentary. The data are analysed through thematic analysis.

Findings & Discussions

Offline

Brick-and-mortar retail stores are indispensable for luxury fashion retailers. It is evidenced by their continuous expansion. Retailers are expanding retail formats to include flagship stores, standalone stores (in luxury hotels and luxury malls),

concessions, pop-up stores, factory outlet stores, and tax-free stores (Kapferer, 2015).

In terms of geographic markets, they in China have not only strengthened the operations in tier-1 national capitals, but also have extended the operations into wider ranges of tier-2 regional/provincial capitals, and even into tier-3 local markets (Bai et al., 2017).

Moreover, the functions of physical stores (especially flagship stores) do not only distribute product, but also express invisible brand identity (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, and to protect brands against counterfeits (Bai et al., 2017).

Online

Meanwhile, e-commerce in China is growing at an unprecedentedly rate. The accessibility has improved, because over 800 million internet users (including actual and potential consumers) in China are no longer restricted by time (store opening hours) and space (limited numbers of retail stores). Alongside with e-commerce, luxury fashion retailers can maintain their exclusive brand identity and image through running fewer stores. 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.

Luxury fashion retailers' e-commerce in China can be operated either by being directly owned or through partnership. 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, and the Chinese social media platforms, such as Weibo and WeChat (Liu et al., 2016). Alternatively, retailers can operate e-commerce through partnerships, either in agreeing technical support for official online stores, or franchising to Chinese e-tailers.

Synergy

Physical retail stores and e-commerce are complementary rather than substitutes (Herhausen et al., 2015). 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. 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. As well as the convenience created by e-commerce (i.e. check stock availability prior to store visit), 'Click and Collect' service can be regarded as a loyalty drive, as it stimulates store traffic and drives customer satisfaction.

Practical implications

This study demonstrates how luxury fashion retailers have adapted omni-channel distribution strategies to China in order to succeed.

Research limitations & Outlook

This exploratory study's findings are generated from luxury fashion retailers in mainland China. Therefore, subsequent studies are expected in different sector (i.e. large-scale multinational supermarket chains) and in other geographic markets.

Conclusions

In the contemporary luxury fashion retail market, neither brick-and-mortar retailer stores nor e-commerce alone is capable of meeting consumer satisfaction and creating brand loyalty. Therefore, omni-channel distribution strategies demonstrates that stores are better connected to e-commerce; and e-commerce is better connected to stores.

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