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Internationalization strategies of emerging market multinationals (EMNCs) in luxury fashion retailing – Case study of Shandong Ruyi Group

Huifeng Bai, Weijing He, Jin Shi, Julie McColl, Christopher Moore

Executive Summary

This paper aims to examine internationalization strategies of emerging market multinationals (EMNCs) in luxury fashion retailing via their motives, direction, and entry modes. Through the case study of the Shandong Ruyi Group, data was collected using ten in-depth executive interviews between 2018-2019. The research finds that the internationalization of EMNCs in luxury fashion retailing is predominantly motivated by proactive factors, including the vision to develop to a global luxury fashion conglomerate, and the ambition to control the whole value chain from sourcing, to manufacturing and retailing. The international expansion direction in terms of production is strategic and driven by resource availability and production capability, and in terms of distribution was opportunistic but is increasingly strategic. High cost entry modes are preferred, including internal organic growth, external expansion strategies such as mergers and acquisitions, and strategic alliances with a majority
of equity, because of the high degree of control.

Keywords

Luxury fashion retailing, Internationalization, EMNCs, Motives, Direction

1. INTRODUCTION

The structure of the international luxury fashion market had changed since the 1980s because of fast growing and strongly performing luxury fashion conglomerates, including LVMH, Kering, Richemont, and numerous medium sized luxury fashion groups such as Prada, Tod’s, and PVH (Donze, 2018). All of these established luxury fashion groups originate from developed economies especially France, Italy, and US (Bai, McColl & Moore, 2018).

However, their status quo has recently been challenged by emerging market multinationals (EMNCs) due to the rapid growth and development of their strong international brand portfolios (Chevalier & Gutsatz, 2020). Indeed, Bloomberg’s top 20 global fashion and luxury groups in terms of revenue (2018), includes four from China and India. Similarly, within the Deloitte’s top 100 luxury goods companies (2018), twelve originate from emerging markets. However, these reports are comprised of a wide range of consumer goods, such as
cosmetics, accessories, and jewelery, which has blurred the boundary between luxury goods and luxury fashion products (Kapferer, 2015).

The internationalization strategies of luxury fashion retailers have become a relatively well developed field of research; however, prior studies have focused on Western luxury fashion retailers (traditional MNCs) rather than EMNCs. This may be because emerging markets, particularly China, still remains at the early stage of being a country of origin for luxury fashion brands, and there is very few EMNCs that have dedicated to the luxury fashion industry (Guercini & Milanesi, 2017). Moreover, the majority of the literature related to the internationalization strategies of EMNCs has adopted an international business perspective, especially foreign direct investment (Li, Strange, Ning & Sutherland, 2016), mergers and acquisitions (Xie & Li, 2017). In terms of sectors, the focus is on manufacturing (Tan & Matthews, 2015), banking (He, Boating & Ring, 2019), high technology especially e-commerce giants (Anwar, 2017), and software services providers (Behrens, 2020), but none in the area of luxury fashion retailing. Furthermore, in terms of market segments, the majority of previous studies have focused on lower income customer segments rather than upper
income customer segments (Grosse, 2016). Therefore, this empirical paper, taken from an international retailing perspective, aims to offer greater depth of insight into the internationalization strategies of EMNCs in luxury fashion retailing by examining their motives, direction, and entry modes.

2. LITERATURE REVIEW

2.1 Internationalization Strategies of Luxury Fashion Retailers

According to the six-question theoretical framework of retailer internationalization (What, Who, Why, Where, How and When), Moore, Fernie & Burt (2000) suggested to understand the internationalization strategies of luxury fashion retailers via three inter-related factors: motives (why), direction (where), and entry modes (how).

Internationalization Motives

Motives have helped researchers to understand the nature of strategic decision making in retailer internationalization, that is the direct relationship with resource commitment, trading format, market positioning, expertise and perceived risk. Based on US retail chains, Vida, Reardon & Fairhurst (2000) developed the international retail involvement model (IRI) which
identified that retailer internationalization is triggered by competitive advantage (e.g. retail brand, merchandise), international knowledge (e.g. information-seeking behavior), international experience (e.g. international expertise of management), and management attitudes (e.g. cost, returns). Indeed, know-how in relation to own merchandise has encouraged luxury fashion retailers to expand internationally (Moore, Doherty & Doyle, 2010). However, the IRI model has not evaluated the external market environment.

The classic push/pull factors indicate that retailer internationalization is driven by limited opportunity in the home market because of market saturation, regulation or adverse trading conditions (push) and/or potential opportunities for retail offerings in foreign markets (pull) (Evans, Mavondo & Bridson, 2008). Alexander & Doherty (2009) questioned the simplicity of push/pull factors, and proposed the reactive and proactive schools which consider a wide range of internal and external factors prohibiting and encouraging retailer internationalization. Hutchinson & Quinn (2011) later confirmed that for small specialist fashion retailers’ internationalization is mainly driven by proactive factors, including internal characteristics (mind-set, entrepreneurial personality, foreign personal relationships), trading
market conditions (contacts, government/consultancy assistance) and (for some) parenting advantage (financial capital, know-how, expertise). Therefore, the dichotomy of reactive (push) and proactive (pull) motives remain important, evidenced by regular and recent citation as key motives of retailer internationalization (Madanoglu, Alon & Shoham, 2017).

Moreover, no single motive or a set of motives are dominant over time, because they are likely to be modified when there are changes in internal characteristics, external trading environments, timing, and entry modes (Swoboda, Elsner & Olejnik, 2015).

**Internationalization Direction**

Similar as manufacturers, in order to minimize perceived risk, foreign market selection for fast fashion and luxury fashion retailers is reflected in the Uppsala Model, which identifies that a companies’ internationalization direction is influenced by psychic distance (Johanson & Vahlne, 2009). This is evidenced by ZARA and H&M initially choosing or enhancing their commitment/investment in foreign markets that are geographically or culturally proximate to their domestic markets, and then entering more distant markets when they have gained market knowledge and experience (Lopez & Fan, 2009). The UK is cited as a ‘springboard’ for US luxury fashion retailers seeking European expansion (Moore, Fernie & Burt, 2000).
Similarly, Bai, McColl & Moore (2018) identified that Hong Kong is regarded as the gateway for mainland China by foreign luxury fashion retailers. Based upon the concept of psychic distance, Alexander & Doherty (2009) suggested that the determinants of the direction of retailer internationalization include geographical/cultural proximity, sufficient economic development and similar social conditions as the home market.

*Entry Modes*

The vital factors seen as necessary by retailers in the selection of a foreign market entry mode include an assessment of risk and profit, and desired decision-making power over branding strategies and operational performance within host markets (Assaf, Josiassen, Ratchford & Barros, 2012). Appropriate entry modes thus provide retailers with control over the marketing mix, and the potential for operational control in host markets (Mohr & Batsakis, 2018). From the highest to the lowest degree of cost and control, major entry modes typically adopted by luxury fashion retailers include the flagship stores, organic growth, merger and acquisition, joint ventures, franchising and licensing, concessions, exporting and wholesaling, and e-commerce (Bai, McColl & Moore, 2017). The literature to date makes a substantial contribution to the understanding of luxury fashion retailer internationalization strategies.
However, research has focused on retailers originating from developed markets (traditional MNCs), rather than from emerging markets (EMNCs).

2.2 Emerging Market Multinationals (EMNCs)

Due to rapid economic growth and accumulated international experience, EMNCs are accelerating their internationalization and catching up with traditional MNCs, demonstrating rapid growing comparative and competitive advantage in various sectors (Marchand, 2017).

Luo & Tung (2007) defined EMNCs as ‘international companies that originated from emerging markets and are engaged in outward FDI, where they exercise effective control and undertake value-adding activities in one or more foreign countries’ (p482). Previous literature has identified radical differences between EMNCs and traditional MNCs, particularly in terms of internationalization strategies.

Firstly, because of previous or current state ownership, many EMNCs have been strongly impacted by political influence, especially policies promoting or prohibiting internationalization (Edwards, Schnyder & Fortwengel, 2019). Secondly, the motives behind EMNCs’ internationalization are more proactive in order to compensate for their competitive advantage.
weaknesses, acquiring critical assets, such as resources, capacity and advanced management
know-how, from traditional MNCs who possess the necessary resources for competitive
advantage in-house and internationalize due to market-seeking and/or efficiency-seeking
motives (Yoo & Reimann, 2017). Thirdly, in terms of internationalization direction, similar to
traditional MNCs, EMNCs choose developing or less developed markets for lower cost
production, and developed markets for strategic assets and potential markets (Ramasamy,
Yeung & Laforet, 2012). Fourthly, compared to the gradual internationalization approach of
traditional MNCs as demonstrated by the Uppsala Model, the comparative speed of EMNCs’
internationalization is much faster, because of their accumulated experience, more recent
relaxed FDI policies, and previous state ownership (Luo & Tung, 2018). Finally, different
from traditional MNCs which usually adopt low cost strategies to enter foreign markets in
order to minimize physical distance, EMNCs attempt to overcome the disadvantage of being a
‘Latercomer’ by series of aggressive, risk-taking entry modes, particularly mergers and
acquisitions (Guillén & García-Canal, 2011).

Despite the valuable contribution of previous literature, no studies exist which have focused
on EMNCs in luxury fashion retailing. This indicates that prior literature is potentially limited to explain the strategies of luxury fashion retailers because of the radical differences between sectors in terms of management expertise, branding strategies, and the activities within value chain (Kapferer, 2015). This study thus aims to examine internationalization strategies of EMNCs in luxury fashion retailing through the following research questions:

- Why do EMNCs in luxury fashion retailing internationalize?
- How does state ownership help their internationalization?
- Where do EMNCs in luxury fashion retailing internationalize into?
- What criteria are employed to assess a target foreign market?
- What entry modes are the most appropriate for EMNCs in luxury fashion retailing?
- How do they compensate competitive weaknesses through internationalization?
- What are the advantages and disadvantages of being a ‘latecomer’?

3. RESEARCH METHOD

An interpretivist qualitative single case study was regarded to be the most appropriate methodology for this study, aiming to understand the ‘what’, ‘why’ and ‘how’ research questions of new market phenomenon in luxury fashion retailing (Lopez & Fan, 2009). The Shandong Ruyi Group (SRG) was selected as the most suitable case company due to the following reasons. Firstly, the sampling frame for this study is very small because EMNCs
are still very new in luxury fashion retailing. Secondly, SRG is widely regarded as the pioneer EMNC focused only on luxury fashion retailing, and has successfully transformed from a local textile mill into an EMNC through a series of international expansion strategies. Thirdly, an increasingly strong international luxury fashion brand portfolio of SRG has created emerging challenges for well-established Western luxury fashion conglomerates. Indeed, after the acquisitions of Trinity Limited Hong Kong in 2016 (95th in Deloitte, 2018) and the Swiss Bally in 2018, SRG as the only fashion-oriented group originating from emerging markets was ranked as the 16th largest luxury group globally by Bloomberg (2018).

Access to SRG was initially sought through personal networks in Shandong Province, China. Covering letters, mailed to the head office in August 2018, explained the purpose of the study, invited the company to participate, and provided privacy for the participants. The primary data was collected via ten semi-structured executive interviews, from October 2018 to July 2019, with six directors from various departments international expansion, business management, strategic development, marketing, research and development, and finance. In order to strengthen the depth of insight into their internationalization strategies, the six
interviewees were selected by the following criteria: must be directors in their departments; must have involved with decision-making for internationalization strategies; must have been employed with the company for at least five years. All interviewees therefore would have sufficient strategic and operational experience, and would be able to provide the necessary information on motives, market selection, policy making and strategic implementation.

Secondary data was collected from various sources, including internal documents, marketing reports and news articles published by reputable organizations. These multiple sources of information allowed triangulation to strengthen the validity and reliability of the analysis, as well as to minimize the possibility of bias. Eventually, the qualitative data was analyzed using thematic analysis, which develops common themes (Yin, 2018).

4. RESEARCH FINDINGS

4.1 Predominantly Proactive Motives

This study identifies that the internationalization of SRG involves three areas in the value chain: upstream (gaining ownership of rare materials), manufacturing (extending productivity and wider expertise in fabric development), and downstream (accessing retailing). According
to the reactive (push) / proactive (pull) retailer internationalization motives, Figure 1 indicates that its internationalization is predominantly motivated by proactive (pull) factors.

Figure 1: The Internationalization Motives of Shandong Ruyi Group

<table>
<thead>
<tr>
<th>Push/ Reactive Motives</th>
<th>Pull/ Proactive Motives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External</strong></td>
<td><strong>External</strong></td>
</tr>
<tr>
<td>- More restricted environment protection policies</td>
<td>- Favorable policies</td>
</tr>
<tr>
<td>- Higher staff welfare (required by policies)</td>
<td></td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td><strong>Internal</strong></td>
</tr>
<tr>
<td>- Increasing production cost</td>
<td>- Enhancing production capabilities</td>
</tr>
<tr>
<td></td>
<td>- Optimizing value chain</td>
</tr>
<tr>
<td></td>
<td>- The vision of senior management</td>
</tr>
<tr>
<td></td>
<td>- Ambitious to develop wholly owned value chain</td>
</tr>
<tr>
<td></td>
<td>- Gaining know-how in branding and retailing</td>
</tr>
<tr>
<td></td>
<td>- Establishing own luxury fashion brands</td>
</tr>
</tbody>
</table>

Production costs, particularly in fabric printing and development, have raised because of increasingly restricted policies related to environmental protection and staff welfare in China. This had pushed SRG to relocate production to countries where there are more relaxed policies as concerns environmental protection and labor costs. However, this reactive factor has been confirmed by only two interviewees. The other four were more optimistic, and
regarded increased production abroad as the opportunity to optimize the value chain. This can be evidenced by an increasing number of research and development centers in China and overseas industrial parks which aim to enhance production capacity and diversity. For instance, the Director of Strategic Development explained:

‘Transferring production to other countries is an opportunity to optimize our value chain because we can plan different production functions in different countries, where better efficiency is available’.

The proactive (pull) motives are much more significant. From the perspective of intrinsic characteristics, all interviewees confirmed that the most important motivation for their internationalization strategy is the vision to develop their own luxury fashion brand (Royal Ruyi), and to become an international luxury fashion conglomerate. For instance, the Director of Strategic Development stressed:

‘Our ultimate goal (of internationalization) is to develop our own luxury brand Royal Ruyi, and meanwhile to become an international luxury fashion group (owning an international luxury fashion brand portfolio). This goal had driven us in the design of our international expansion strategies since the early 1990s’.

Five interviewees confirmed that the ambition to develop and control the whole value chain, from rare material to manufacturing and retailing, is the key for sustainable success. In terms
of upstream, SRG has controlled the quality and quantity of raw materials through acquisition of raw material suppliers, including Cubbie Station (Australia’s largest cotton farm), Lempriere Wool (a global wool trading and processing plant), and Larundel (an historic fine wool plant). In terms of production, in order to enhance productivity and extend expertise into a wider range of fabric know-how, SRG acquired Carloway Mill (one of the last three Harris Tweed mills in Scotland), and American Invista’s Apparel & Advanced Textiles (the biggest manufacturer for Lycra globally). In terms of downstream, SRG is developing an international luxury fashion brand portfolio through the acquisition of independent brands and small/medium luxury fashion groups. Therefore, SRG has been able to achieve the know-how in retailing and brand management necessary for the development of its own high-end fashion brand. For instance, the Director of Marketing explained:

‘As an OEM (original equipment manufacturer) for many international luxury fashion brands, we realized that we can build up our own luxury brand if we can create our own value chain which is the key to succeed in the future’.

In terms of the external environment, the policies put in place by central government and local authorities have largely encouraged SRG’s internationalization. This is evidenced by the fact that it initially internationalized in 2010, however, rapid expansions only occurred after
2013 when ‘the Belt and Road Initiative’ policies were published. Despite the strong influence of the policies, none of the interviewees believed that the group had benefited from its former state ownership, because of the changing structure of SRG, and the lack of financial support. For instance, the Director of Finance mentioned:

‘We had transformed to a limited company long time ago… I do not think former state- ownership is helpful for our international expansion… Especially in terms of finance, we are no different from others when seeking financial support from banks’.

Four interviewees also expressed that the motives of their internationalization strategy have become more proactive due to accumulated international experience and confidence, recognized success, and clearer corporate development strategies, especially in creating a wholly owned value chain, establishing their own luxury fashion brand and becoming an international luxury fashion group.

4.2 Strategic Shifts to Foreign Markets

Regarding upstream development, in order to control the quality and quantity of wool and cotton, SRG has acquired Cubbie Staion, Lempriere Wool and Larundel in Australia. All interviewees believed that the choice of Australia was heavily influenced by resource
availability, as well as its business development strategy, to develop as the world’s largest
value chain in woolen and cotton fashion products. For instance, the Director of Research and
Development stressed:

‘Australia has a superior reputation in terms of top quality wool and cotton, which will be
the foundation of our value chain in the future’.

In terms of production, as a manufacturer, SRG has chosen both less developed and
developed markets for its international expansion. On the one hand, as previously discussed,
in order to create competitive advantage through cost focus, SRG has optimized its value
chain by relocating industrial parks to less developed markets in where more efficient and
effective production capabilities and economies of scales can be achieved. On the other hand,
in order to strengthen competitive advantage through differentiation focus, the group also
extended its fabric development know-how via the acquisition of the Carloway Mill to
harness their Scottish Harris Tweed craftsmanship, and with the American, The Lycra
Company to harness their innovative and sustainable creativity. The importance of this
critical asset seeking internationalization in developed markets had been confirmed by five
interviewees, for instance, the Director of International Expansion explained:
‘High-tech fabrics will be one of our core strategies, we had extended our fabric know-how through the acquisition of Harris Tweed and Lycra… Such knowledge is extremely important for us to enhance our globally leading position in the intermediate and consumer markets’.

In terms of downstream development, as a high-end fashion brand and a luxury fashion conglomerate, its choice of foreign market was largely opportunistic rather than by means of psychic distance or in seeking out new markets, even at the very early stages of internationalization in neighbor market Japan in 2010. This has been discussed by two interviewees, and the Director in International Expansion explained:

‘It cost a fortune to advertise in CCTV 1 (the most important TV channel in China), but the result was no near to our expectation. Renown (in Japan) then become a good opportunity, not only for promoting us internationally, but also for transforming us into a fashion group’. 

The subsequent choice of foreign markets has become increasingly strategic. The ambition to develop as China’s LVMH has motivated SRG to build an international luxury fashion brand portfolio, as well as to develop its own high-end fashion brand. This is necessary to gain know-how in brand management, retailing expertise and distribution networks. In order to reach a wider range of fashion markets, the group has not only focused on luxury segments but has also extended to premium markets. Therefore, Europe has become the target market
because of solid reputation for luxury and premium fashion retailers. Moreover, Hong Kong has potential because many Hong Kong based distributors/franchisees are current owners of some foreign luxury fashion retailers. All interviewees confirmed such strategic shift of foreign markets, and the Director in Strategic Development emphasized:

‘In order to become one of the largest luxury fashion conglomerates in the world, we must learn from the (luxury fashion) brands from France, Italy, and the UK… After gaining control over Bally (from Switzerland), we will pay more attention to European brands (because of their brand management expertise and the willingness to expand into China)… You know some Hong Kong based distributors are the actual owners of foreign luxury fashion brands’.

Therefore, no single theory is capable of explaining the internationalization direction of SRG. Alternatively, their foreign market section can be understood differently according to their various roles within the value chain. In parallel to growing international experience and knowledge, the direction and criteria that SRG uses to evaluate foreign markets is increasingly strategic in all three areas of the value chain.

4.3 Wholly/Highly Controlled Entry Modes

In terms of upstream development and production, SRG prefers high cost and high control
entry modes, including mergers and acquisitions, as well as internal organic growth. Such wholly/highly controlled entry modes protect intellectual property and support the international transfer of know-how in terms of business management, branding strategies, and textile craftsmanship (e.g. Harris Tweed textiles and Lycra textiles). Indeed, all interviewees regarded wholly owned rare material sourcing as the necessary approach adopted in order to extend product assortment, and to create competitive advantage through differentiation focus and cost focus. The Director of Marketing justified the importance of wholly controlled wool and cotton production towards sustainable growth and success, and explained:

‘We must fully control over wool and cotton through acquiring those world leading farms in Australia to achieve sustainable success, because such ownership minimizes uncertainties in our value chain through securing steady rare material supplying at good price’.

However, regarding downstream development, SRG’s choices of entry modes indicate a learning process. For example, SRG initially internationalized in 2010 through a strategic alliance (majority stake) with Renown, but the acquisition of Renown occurred in 2016. After this, SRG became more confident and started to adopt expensive mergers and acquisitions, such as the acquisitions of Cerruti 1881 and Gieves & Hawkes in 2016, and Bally in 2018. Five interviewees believed that high-cost mergers and acquisitions help to compensate for the
competitive weaknesses of being a ‘latercomer’, because the group can benefit in terms of expertise in branding strategies, consumer relationship management and distribution networks from their own luxury fashion brands to gain whole/high control over their subsidiaries. For instance, the Director of Business Development stressed:

‘In order to develop and manage Royal Ruyi, we must learn from well-established European luxury fashion brands. While it is almost impossible to learn from them if you do not own them because of intellectual property protection’.

Moreover, after SRG developed substantially in size and obtained certain levels of international experience, four interviewees expressed their interest in moving to medium cost and medium control entry modes, particular by way of strategic alliances and joint ventures, in the short term in order to speed up internationalization in all three areas of their value chain. While the Director of Finance indicated that the consideration of such medium cost and control entry modes are also caused by the pressure of a lack of financial support from local authorities. Therefore, the entry modes adopted by SRG were high cost and control mergers, acquisitions and organic growth moving to medium cost and control strategic alliances and joint ventures over time.
5. CONCLUSION

Previous international retailing literature has not focused on EMNCs in luxury fashion retailing because they are still new in the international luxury fashion market, which has long been dominated by Western luxury fashion retailers and conglomerates. This empirical study thus has contributed to the international retailing literature by offering in-depth insights into the internationalization strategies of EMNCs in luxury fashion retailing, especially motives, direction, and entry modes. Meanwhile, this paper has also enriched the EMNC literature which has mainly adopted an international business perspective, by extending this understanding into retailing. Through this qualitative case study of China’s Shandong Ruyi Group, it has been identified that the internationalization of EMNCs in luxury fashion retailing has occurred in three main areas within the value chain, those of material sourcing, manufacturing and retailing (Figure 2). This highlights the difference between EMNCs in luxury fashion retailing and other sectors in terms of internationalization, because retailer internationalization not only involves the international operations of retail activities, but also relates to a wider range of activities, including international investment, international transfer of know-how, and international sourcing (Assaf, Josiassen, Ratchford& Barros, 2012).
Figure 2: The Internationalization Activities of the Value Chain of Shandong Ruyi Group

**Upstream**
- Cubbie Station (Australia, 2012, Strategic alliance with majority stake)
- Lempriere Wool (Australia, 2012, acquisition)
- Larundel (Australia, 2012, acquisition)

**Manufacturing**
- A series of industrial parks (Africa, India, Pakistan etc., between 2012 – 2016, organic growth)
- Carloway Mill (Scotland, 2013, acquisition)
- The Lycra Co. (US, 2019, acquisition)

**Downstream**
- Renown Inc. (Japan, multiple brands, strategic alliance with majority stake in 2010 to acquisition in 2016)
- Trinity (Hong Kong, brands include Gieves & Hawkes, Kent & Curwen, and Cerruti 1881, acquisition, 2016)
- Aquascutum (UK, acquisition, 2016)
- SMCP (France, brands include Sandro, Maje, and Claudie Pierlot, strategic alliance with majority stake, 2016)
- Bagir (Israel, merge, 2017)
- Bally (Switzerland, strategic alliance with majority stake, 2018)
The internationalization of EMNCs in luxury fashion retailing is predominantly motivated by proactive factors, including the plan to optimize the value chain, the vision to establish an own luxury fashion brand and to develop to a global luxury fashion group, the ambition to control the whole value chain from sourcing, to manufacturing to retailing, as well as encouraging policies. Although state ownership is not always of benefit, the favorable policies of many emerging markets can be considered as proactive factors, such as ‘the Belt and Road Initiative’ in China from 2013 (Yoo & Reimann, 2017). In parallel to growing their international experience and knowledge, the direction and criteria that EMNCs in luxury fashion retailing use to select foreign markets is increasingly strategic in all three areas of the value chain. Different from well-established luxury fashion retailers, their choices of foreign markets are not heavily influenced by psychic distance or physical distance (Moore, Doherty & Doyle, 2010). In terms of upward sourcing and manufacturing, their choice of foreign markets is strategic and heavily influenced by resource availability and locational advantage, highlighted in the Eclectic Paradigm which suggests MNCs engaging with value adding activities in particular foreign markets (Dunning, 2000). Regarding downward extension into retailing, their international expansion has been mainly opportunistic because of the
opportunities available; however, brand/market selection has become increasingly strategic as they aim to gain greater international experience and develop a clearer strategic plan, such as the ambition to become China’s LVMH.

Typical entry modes adopted by EMNCs in luxury fashion retailing are proposed to be organic growth, merges and acquisitions, and strategic alliances with majority equity, which are expensive but offer a high degree of control. They are different from those of traditional luxury fashion retailers who are keen to adopt low cost and low control entry modes, such as exporting and wholesaling (Moore, Fernie & Burt, 2000). Contrary to Guillén and García-Canal (2011) who argued that EMNCs adopt external expansion strategies, especially mergers and acquisitions, however, EMNCs in luxury fashion retailing also employ internal extension strategies such as organic growth for production in other developing markets.

Moreover, their choice of entry modes over time indicate an organization learning process, such as the progress from strategic alliances with majority equity to acquisitions. Having gained greater international experience, they started to utilize medium cost and control strategies such as joint ventures, due to the desire to expand more rapidly in the future.
They consider internationalization as a springboard to catch up with Western luxury fashion retailers (Luo & Tung, 2018), and attempt to compensate for their competitive weaknesses by seeking critical assets and production efficiency rather than by market expansion which is the dominant method of Western luxury fashion retailers (Bai, McColl & Moore, 2017). As latecomers, they can access advanced brand management expertise, brand portfolio, and retail networks through the acquisition of foreign luxury fashion retailers who have developed this know-how in-house (Hutchinson & Quinn, 2011). The expertise acquired from traditional luxury fashion retailers could be the key differences with EMNCs in other sectors to access retailing and consumer markets especially higher income customer segments (Grosse, 2016).

The limitations of this study can be considered in three major factors. The first is the use of purposive sampling and the small scale of the sample. However, EMNCs are still very new in luxury fashion retailing, evidenced by very limited number of EMNCs in this sector. SRG was perceived as the most appropriate case company for this study because it is widely recognized and regarded as one of the largest luxury fashion conglomerates in the world (Bloomberg, 2018). The second is that this research focused on luxury fashion sector rather
than luxury in general. The third relates to the conditions within the home market of China which is perceived to be of considerable psychic distance in terms of culture compared to other typical emerging markets which have been heavily influenced by colonialism, such as India and Brazil (Behrens, 2020). Future studies therefore can test the findings of this study on EMNCs originating from different countries or in other economic sectors. Finally, subsequent studies are expected which explicitly examine how EMNCs in luxury fashion develop a competitive advantage through international expansion.

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