

# **Luxury Fashion Retailers' Multiple Channel Distribution Strategies**

## **- Evidence from China**

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### **Introduction**

Within the present digital era, fast-moving consumer preference and lifestyle, especially online communication and shopping, have driven increasing numbers of luxury fashion retailers to strengthen e- and m-commerce and to adopt multiple channel distribution strategies for their sustainable success, especially in China (Cao and Li, 2015). By June 2020, there were over 940 million internet users in China (ChinaDaily, 2020). According to Bain & Co. (2019), over one third of €281 billion, the value of global luxury fashion market in 2019, was contributed by the Chinese market (excluding Chinese consumers' cross-border luxury fashion consumption). Furthermore, even during the COVID-19 pandemic, due to restrictions of international travel and tourism, luxury fashion consumption in China sharply increased in 2020, with a market growth of 48% (Reuters, 2020). Therefore, in order to obtain sustainable success in China, internationalising luxury fashion retailers need to adopt a localised multiple channel distribution strategy (Bai *et al.*, 2021).

### **Purpose**

In parallel to rapid growing importance of e-commerce and digital marketing, a great number of studies have concentrated on multiple channel distribution strategies, especially multi-channel retailing and omni-channel retailing (Verhoef *et al.*, 2015; Galipoglu *et al.*, 2018). An omni-channel retailing strategy helps luxury fashion retailers offering seamless brand experiences through an integrated distribution channels, especially important in the market

where the brand loyalty is relatively low such as China (Bai, 2018). However, in reality, to develop an omni-channel retailing is not feasible for every luxury fashion retailers because of a series of barriers in relation to marketing knowledge, supply chain and logistics infrastructure, as well as organisational management (Ye *et al.*, 2018). Therefore, this study aims to examine luxury fashion retailers' multiple channel distribution strategies, especially to compare multi-channel and omni-channel strategies in the Chinese luxury fashion market.

## **Conceptual framework**

Since this study adopts an international retailing perspective, luxury fashion retailers are 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 recognised 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; sold within prestigious retail setting*” (Moore *et al.*, 2010, p.143). Bai *et al.* (2018) suggested to understand their strategies and operations via their retailing formats, key products and ownership structures.

The main theory examined in this study is the three-main multiple channel distribution strategies, including multi-, cross- and omni-channel (Beck and Rygl, 2015). More specifically, this study considered interrelations between multiple channel distribution strategies, and distribution channel length, as well as the three main distribution strategies, including selective, intensive and exclusive.

## **Methodology**

An interpretivist multiple case study was regarded as the most appropriate research methodology for this study, as it seeks to understand *what*, *why*, and *how* research questions regarding to luxury fashion retailers' multiple channel distribution strategies. The thirteen participant luxury fashion retailers (across a wide range of country of origin, retailing format, and ownership structure) were selected from the sampling frame which was developed through four sources: 1) members of globally reputable luxury committees, including Comité 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 top ten luxury malls across China and the Peninsula Hotel (Beijing); 3) the directories of

the e-commercial platforms and social media in China, including JD.com., T-Mall.com (a B2C subsidiary of Alibaba Group), WeChat, Xiaohongshu, and Sina Weibo; and 4) the marketing reports published by reputable professional organisations.

The primary data was collected through twenty-nine semi-structured executive interviews, lasted between 70 and 90 minutes between October 2018 and October 2020. At that point, the authors acknowledged data saturation. After analysing the primary data, the secondary data was also employed through annual reports, marketing reports, and (for some) internal documents. In order to fulfil confidentiality agreements, all the participating retailers' and interviewees' names are coded during data analysis and reporting. The data are analysed through thematic analysis on NVivo 10.

## **Findings**

Based upon the case studies of thirteen participant luxury fashion retailers (across wide range of country of origin, retailing formats, and ownership structures), this study reveals that all of the three multiple channel distribution strategies (multi-, cross-, and omni-channel retailing) have been adopted by luxury fashion retailers. Despite of popular multi-channel retailing, omni-channel retailing has become increasingly important for their sustainable success in China because of the capacity of offering unique and seamless brand experiences. Cross-channel retailing is not a long-term distribution strategy but a transition.

The motives behind each multiple channel distribution strategy are heavily influenced by retailers' distribution strategies, channel lengthen, and business development strategies. The following issues are found in this study:

- Multi-channel retailing is more appropriate for the retailers who adopt a selective and/or an exclusive distribution strategy. They distribute products through multiple channel lengthen, including direct marketing, distributors' networks, as well as local partners' networks (only applicable to those who develop their business further in China through local partnership, especially franchisees);
- Cross-channel retailing is suitable for the retailers who are in the transition from local partnership to directly-owned business development and expansion after their initial entry

into China. Meanwhile, they attempt to reduce the channel lengthen, and aim to change their distribution strategies from selective to exclusive; and

- Omni-channel retailing is more appropriate for the retailers who adopt an exclusive distribution strategy. They distribute products through relatively short channel lengthen, and most important is direct marketing through all channels (e.g. brick-and-mortar stores, official online store in the Chinese website, and e-commerce through e-commercial platforms and social media).

Moreover, this study also recognised the following issues regarding to the integrated omni-channel retailing:

- Through an omni-channel retailing, distribution and communication strategies are highly relevant and are able to create eco-system for channels, for instance, social media and brick-and-mortar stores can be used as both distribution channel and communication tool;
- Integration between offline and online channels can be facilitated by (scanned) QR Code in stores, click-and-collect service, public relations events in stores, as well as sales floor staff's social media (as a part of CRM);
- Chinese social media (especially WeChat) should be adopted as a global perspective rather than China-only, because of considerable value of Chinese consumers' cross-border shopping, and overseas Chinese (as both consumers and floor sales staff);
- The difficulties identified in this study confirmed Ye *et al* (2018).

## **Value**

This study, from an international retail scope, examines luxury fashion retailers' multiple channel strategies, especially compares opportunities and challenges for both multi-channel and omni-channel distribution strategies in China. It also contributes to build depth insights of retailers' localised distribution strategies in a continent-sized emerging market.

## **Practical implications**

The practitioners are suggested to adapt their distribution strategies in China through a multiple channel distribution strategy. As well as brick-and-mortar stores, they should

strengthen e-commerce through official online store, Chinese e-commercial platforms and social media. They are also suggested to consider their channel length and distribution strategies when designing either a multi-channel or an omni-channel distribution strategy.

### **Research limitations & outlook**

This study's findings are generated from China, the world's second largest luxury fashion market. The psychic distance between China and other markets are considerable. The relatively small sample size is also challengeable.

Therefore, the subsequent studies are suggested to test this study's findings through quantitative methods with larger samples in other geographic markets and/or for other retailers, especially large-scale multinational grocery supermarket chains. Further understanding of e-commerce-only luxury fashion retailers are expected.

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## **Keywords**

International retailing, Distribution strategies, Multi-channel distribution, Omni-channel retailing, Luxury fashion marketing, China