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Luxury fashion retailers' localised marketing strategies in practice – Evidence from China

Huifeng Bai, Julie McColl, Christopher Moore

Abstract

From an international retailing perspective, this empirical study aims to examine luxury fashion retailers' changing marketing strategies in China. Using case studies of fourteen luxury fashion retailers, qualitative data was collected via thirty-one semi-structured executive interviews. Both standardised *global*, and localised *multinational* marketing strategies were found to have initially been employed by luxury fashion retailers entering into China. Subsequently, localised *multinational* strategies became increasingly important for their post-entry operations and business development, particularly in terms of their product strategies. More specifically, as well as the introduction of Chinese brand names, product design has been adapted according to Chinese market conditions, and product portfolios have been adapted to satisfy regional differences. However, localised product sourcing in China is far less common. This paper extends the current international retailing literature by examining and comparing the motives and practices of luxury fashion retailers and the increasing localisation of their marketing strategies in China as they move from initial market entry into their post-entry operations. It also offers practitioners insights into the success that can be generated by the manipulation of marketing strategies, particularly product strategies, within the world's second biggest luxury market.

1. Introduction

Rapidly growing emerging markets, of which China is a prime example, substantially changed the landscape of the international luxury fashion market since the turn of the new millennium (Chevalier and Gutsatz, 2020). Bain & Co. (2019) reported that China accounted for over one-third of the total €281 billion value of the global luxury fashion market in 2019. Even during the COVID-19 pandemic, due to restrictions on international travel and tourism, luxury fashion consumption in China sharply increased in 2020, with a huge market growth of 48% (Reuters, 2020).

As well as quickly developing e- and m-commerce, internationalising luxury fashion retailers in China not only strengthened their brick-and-mortar store operations in the national and regional capitals, but they also accelerated their expansion into a wider range of provincial capitals and non-capital cities (Bai *et al*., 2021c). To gain sustainable success in such locations, these retailers benefit from employing localised marketing strategies (Lu and Pras, 2011). Indeed, Liu *et al*. (2016) suggested that foreign luxury fashion retailers should tailor their communication strategies to reflect the intrinsic differences across China in terms of

culture, economic development, and consumer preferences from tier-1 national capitals to

tier-2 regional capitals and tier-3 non-capital cities.

The Chinese luxury fashion market attracted considerable research on consumer behaviour.

Common topics include the influence of culture on purchase motives (He and Wang, 2017),

consumer perceptions of luxury brands (Jiang and Shan, 2018), "Daigou" (i.e., the cross-

border shopping services offered by freelance retail consultants) (Xie, 2018), counterfeits

consumption (Chen *et al*., 2015), classifications of Chinese luxury consumers (Chevalier and

Lu, 2009), and purchase behaviour across online and offline channels (Liu *et al*., 2013). Only

a few studies adopted an international retailing perspective (Bonetti, 2014; Bai *et al*., 2018),

arguing that retailers' internationalisation processes are more complicated and

multifunctional than those of manufacturers and service providers. Retailer

internationalisation involves several dimensions: financial investment, cross-border shopping,

international transfer of know-how, and the internationalisation of sourcing and retail

operations (Alexander and Doherty, 2010).

On the other hand, most of the current literature on retailer internationalisation focused

primarily on understanding the scope, scale, motives, and directions of internationalisation at

a strategic level (Swoboda *et al*., 2015). These studies considered retailer internationalisation

and international marketing strategies at a country-market level rather than in terms of post-

entry operations and business development within host markets (Francioni *et al*., 2013; Bai *et

al*., 2017). This could be because the focal markets being examined are relatively small in

geographic size (Doherty *et al*., 2014) and the regional differences are not significant domestically (Siebers, 2011). Therefore, Frasquet *et al*. (2013) suggested the need to understand retailers' post-entry business development practices and marketing strategies from a continuous and dynamic perspective. Indeed, comparing marketing strategies as firms move from initial market entry to post-entry operations helps to clarify luxury fashion retailers' critical success factors and their business practices when reacting to fast-moving market conditions (Kim *et al*., 2020). For example, Bai *et al*. (2021b) identified that the motives behind luxury fashion retailers' post-entry expansion in China became predominantly proactive. Moreover, Bai *et al*. (2021c) developed three directional patterns of luxury fashion retailers' post-entry expansion in China: cautious, regional, and countrywide. Nevertheless, no prior study examines the changes to luxury fashion retailers' evolving marketing strategies as they move from their initial entry towards post-entry business development.

Therefore, this study aims to contribute a deeper understanding of the dynamic process of how luxury fashion retailers changed their marketing strategies, especially product strategies, over time in China by addressing the following three research questions. 1) *Have luxury fashion retailers changed their marketing strategies for post-entry business development in China from those used in their initial market entry*? 2) *How did luxury fashion retailers adapt their product strategies (product design, product sourcing, and product portfolio) for their post-entry operations in China? 3) Is a Chinese brand name necessary for foreign luxury fashion retailers' post-entry business development in China?*

The following section reviews the current literature on luxury fashion retailers and their international marketing strategies. After justifying the selection of a qualitative case study research methodology and the chosen research design, the findings are presented and discussed. The paper concludes by highlighting the theoretical and managerial implications, identifying limitations, and suggesting future research directions.

2. Theoretical Framework

2.1 Defining Luxury Fashion Retailers

Ancient aristocrats originally created the "luxury" concept to build images of timelessness and exclusivity and to create exclusive accessibility (Chailan, 2018). However, in parallel to the democratisation of luxury in modern consumer society, marketers across a wide range of business sectors are increasingly adopting the philosophy of luxury in their branding strategies to persuade target consumers to trade up. They have done so by highlighting the tangible and intangible values of their products and services (Cristini *et al*., 2017). Researchers attempted to define luxury brands from various perspectives, including those of brand management (Kapferer and Bastien, 2012; Chevalier and Gutsatz, 2020), business strategies (Djelic and Ainamo, 1999; Beverland, 2004; Berthon *et al*., 2009; Guercini and Milanesi, 2017), and the long-established fields of consumer psychology and behaviour (Wiedmann *et al*., 2009; Albrecht *et al*., 2013; Dhaliwal *et al*., 2020).

Vickers and Renand (2003) identified a distinctive mix of three dimensions to differentiate luxury brands from non-luxury brands: functionalism, experientialism, and symbolism. In the

Brand Luxury Index (BLI), Vigneron and Johnson (2004) proposed three non-personal-oriented perceptions (conspicuousness, uniqueness, and quality), and two personal-oriented perceptions (hedonism and extended-self). However, some brands are finding it difficult to maintain luxury status due to increasingly knowledgeable and sophisticated consumers, and fast-moving consumer preferences, such as the "anti-logo" movement, or inconspicuous consumption patterns (Eckhardt *et al*., 2015). Indeed, the characteristics of luxury brands are an academic research focus in themselves (Nueno and Quelch, 1998; Fionda and Moore, 2009; Keller, 2009). Ko *et al.* (2019) recently redefined luxury brands by stressing attributes such as their high quality, authentic value, prestigious image, premium price, and emotional resonance with target consumers.

Despite its valuable contribution, this definition is generic and neglects the heritage factor, which is the key difference between luxury brands such as Mercedes-Benz and premium brands such as Lexus (Kapferer and Valette-Florence, 2016). In addition, these parameters are dynamic and can be perceived differently by various markets and cultural zones (Dion and Borraz, 2017). Value, culture, and the socio-economic environment influence consumer perceptions and acceptance of luxury brands significantly (Shukla *et al*., 2015). The exclusivity of a luxury brand image can be diluted by its extension to inappropriate products and over-licensing (Reddy *et al*., 2009), inconsistency between the country of origin and place of manufacturing in cases such as Burberry (Arora *et al*., 2015), and the inferior image of the country of ownership, such as in Jaguar and Land Rover's current ownership by the Indian company Tata (Johansson *et al*., 2018).

In the fashion context, Miller and Mills (2012) identified the dimensions of brand luxury (brand luxury, brand leadership, brand innovativeness, brand-user fit, brand value, and willingness to pay a premium price), and offered a better understanding of the relationships in terms of antecedents and consequences. However, luxury brands' frequent downward brand extensions blurred the boundary between luxury and premium (Dall'Olmo Riley *et al*., 2015; Boisvert and Ashill, 2018), as do the increasingly competitive *Masstige* brands, which have a premium brand image without a premium price (Truong *et al*., 2009; Kapferer and Bastien, 2012). Most recently, Kumar *et al.* (2020) developed a marketing mix for *Masstige* brands by addressing the radical differences between *Masstige* and luxury branding strategies in terms of price, income, consumption, branding, market, and metaphors.

Furthermore, concepts of luxury and fashion are increasingly interchangeable due to collaborations between luxury brands and (fast-)fashion brands (Mrad *et al*., 2019), and celebrity fashion designers' contributions to repositioning the strategies of heritage luxury brands since the 1990s, such as Marc Jacobs for Louis Vuitton, John Galliano for Christian Dior, Alexander McQueen for Givenchy, and Tom Ford for Gucci (Bai, 2016). Because of the nature of retailing, luxury fashion brands can imbue their brick-and-mortar stores, especially their flagship stores, with elements of art galleries and museums, through an aesthetically oriented "M(Art)Worlds" strategy to strengthen consumers' in-store experiences (Joy *et al*., 2014). Therefore, in the context of the fashion retail sector, this study regards luxury fashion brands as luxury fashion retailers 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; and sold within prestigious retail setting" (Moore *et al.*, 2010,

p.143). In terms of trading characteristics, decision making, and parenting advantage, we

understand luxury fashion retailers' strategic and operational practices through their retailing

formats and ownership structures (Moore and Birtwistle, 2005; Bai *et al.*, 2018; Bai *et al.*,

2021a).

2.2 Luxury Fashion Retailers' International Marketing Strategies

The international marketing literature long debated the merits of standardised and

localised/adapted marketing strategies (Matricano and Vitagliano, 2018). Because of the more

complicated processes required for retailer internationalisation, Moore and Burt (2007)

identified three types of international marketing strategies adopted by luxury fashion retailers

in terms of available resources, international experience, and the desire to control brands and

business activities in host markets. These are *international investment*, and *global* and

multinational strategies.

An *international investment* strategy involves the transfer of capital between countries, and

the partial or total purchase of existing retailers in host markets to explore sustainable growth

with or without operations. Because the strategy supports the easy transfer of an operational

portfolio at a low risk, it is popular amongst luxury fashion conglomerates, especially

emerging market multinationals (Bai *et al*., 2021a). However, it provides little or no international experience, and risks a loss of control in host markets (Mohr and Batsakis, 2018).

A standardised *global* strategy supports luxury fashion retailers by maintaining their brand uniformity worldwide (Guercini *et al*., 2020). Retailers thus benefit from economies of scale by establishing an integrated supply chain, ensuring good design and quality, using centralised tactical decision-making and standardising their activities (Jonsson and Tolstoy, 2014). This strategy also helps retailers to achieve economies of scope and accelerate their international expansion by replicating their store format elements, marketing communications, product development, and management control systems (Tan and Sousa, 2013). However, a standardised strategy may lack flexibility, could deter retailers from fully recognising local demand and reacting to fast-moving consumer attitudes and preferences, and can limit local knowledge and experience (Cao, 2011). Therefore, this inflexible strategy may restrict the retailers' entrepreneurial spirit (Jonsson and Foss, 2011; Matricano and Vitagliano, 2018).

Alternatively, a localised/adapted *multinational* strategy offers retailers the capacity to identify local market trends and respond via marketing mix decisions, especially in terms of product (Swoboda *et al*., 2014) and communication (Liu *et al*., 2016). By clearly demarcating responsibilities, the head office in the home country can make the strategic decisions, whilst local management can make operational decisions such as the product strategies (Mohr and

Batsakis, 2018). The retailers are thus able to overcome perceived psychic distance in the target markets, and establish a substantial local presence with an important transfer of know-how, thus gaining rich local knowledge (Evans *et al*., 2008; Jonsson and Foss, 2011). However, they cannot benefit from economies of scale and scope, and are likely to expand at a relatively slower pace because such a strategy requires considerable investment in time and resources (Vrontis *et al*., 2009; Jonsson and Tolstoy, 2014). This strategy also limits the number of suitable development sites, meaning that the retailers may only focus on the markets with locations that can provide them with a competitive advantage over their local rivals (Altuntas and Tucker, 2015).

2.3 Luxury Fashion Retailers' International Product Strategies

Product strategies are amongst the most important components of the marketing mix and the internationalisation strategies of marketing-oriented luxury fashion retailers (McColl and Moore, 2011; Kotler and Keller, 2015). McGoldrick's retailer marketing mix (2002) identifies three core elements of luxury fashion retailers' product strategies (see Figure 1): product design, product sourcing, and product portfolio (Wigley and Chiang, 2009; Hutchinson and Quinn, 2011).

Figure 1: Luxury fashion retailers' international product strategies
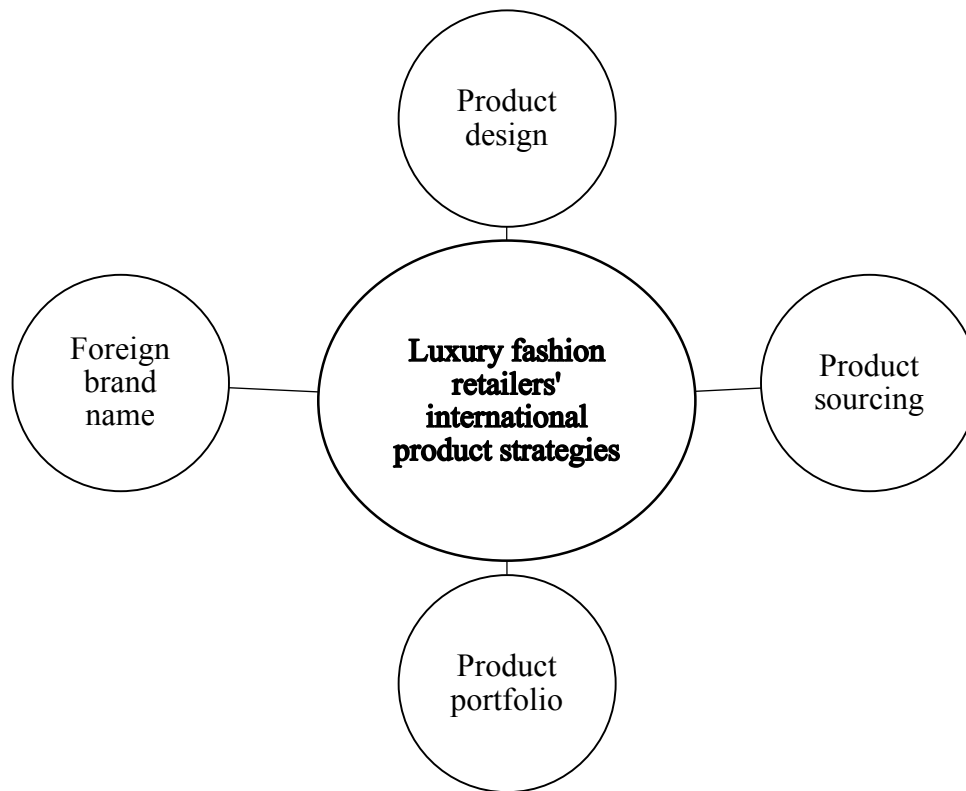
First, the central component of luxury fashion retailers' product offering is product design, which is typically developed via in-house design facilities, as occurs in most European luxury fashion brands (Djelic and Ainamo, 1999; Chevalier and Gutsatz, 2020). Indeed, luxury fashion retailers specify their product requirements in great detail, and those enjoying a positive design reputation also tend to have stronger financial indicators and brands (Christodoulides, 2009). Unique designs constitute the image of (and are even synonymous with) brands such as Kelly and Birkin of *Hermès* (Fionda and Moore, 2009). Second, as one dimension of retailer internationalisation, product sourcing refers to the tailoring of luxury fashion retailers' product mix to cater to their target markets, and that they source intermediate and/or final products from varied and often geographically remote

manufacturers (Assaf *et al.*, 2012; Jonsson and Tolstoy, 2014). This process is typically motivated by price, quality, variety, and availability (Moore and Burt, 2007). The country-of-origin effect, which links high quality to certain locations, such as watches from Switzerland and cashmere products from Scotland, also heavily influences product sourcing (Arora *et al.*, 2015). Third, in parallel to an increasingly important lifestyle brand image, luxury fashion retailers extended their product portfolios by moving to a wide range of sectors, particularly hospitality. Such extended product portfolios (in a diversification strategy) are not only motivated by profit, but also by the ambition to raise brand awareness and even to strengthen the lifestyle brand image to attract a wider range of consumers (Kapferer and Bastien, 2012). Existing studies provided a solid understanding of luxury fashion retailers' product strategies at a strategic level from a relatively static perspective (Wigley and Chiang, 2009). However, these retailers should adopt dynamic product strategies in a continuous process over time, especially as they move from initial foreign market entry towards post-entry business development in the host markets.

Furthermore, the brand name is a necessary component of the luxury fashion retailers' product strategies (Kotler and Keller, 2015). They face the dilemma of whether or not to translate their brand names into foreign languages (Melnyk *et al.*, 2012), though some studies suggest that they use the same brand name internationally to maintain a consistent brand identity and image, and to protect their country-of-origin prestige (Kapferer and Bastien, 2012). Indeed, it is challenging for foreign luxury fashion retailers to (re)name their brands using Chinese brand names, as China has a great psychic distance (Lu and Pras, 2011).

However, it is simultaneously difficult to raise brand awareness and communicate with target Chinese consumers if they cannot read the brand name (Kim *et al*., 2020).

Despite the valuable contribution of these prior studies, they focused on international marketing strategies, and especially product strategies, at a strategic level. They also concentrated on the initial market entry stage, rather than on post-entry operations and the business development stage from a dynamic and continuous perspective.

3. Research Methodology

The authors adopted a case study research methodology as it is appropriate within the context of multifaceted, current and ongoing situations to help generate knowledge and clarify where a theoretical underpinning may be lacking (Creswell and Creswell, 2018). As a recognised approach to the study of complex and under-researched issues for which there is a limited understanding of situations and issues (Etikan *et al*., 2015), multiple case studies allow researchers to analyse various sources of evidence (Stake, 2013). The present study adopts this approach to help clarify the experiences that shape the decisions about the international marketing and product strategies of luxury fashion retailers operating on the Chinese mainland. The use of multiple case studies allows researchers to explore the similarities and differences within and between cases, and the use of various sources of data can increase the credibility of the findings (Yin, 2018).

Purposeful sampling is suitable where there are a limited number of potential participants

with a detailed knowledge of a particular context or situation (King and Brooks, 2017). This method requires a willingness amongst selected potential participants to contribute to the research (Campbell *et al.*, 2020). Additionally, due to the lack of current research on the post-entry expansion and business development in luxury fashion brand strategy in the Chinese market (Bonetti, 2014; Liu *et al.*, 2016; Guercini *et al.*, 2020), this study adopted the expert sampling approach, which requires the input of specialists (Etikan and Bala, 2017) with extensive experience of luxury fashion retailer marketing and expansion operations in China. To this end, the authors developed a sample frame for global luxury fashion retailers with mainland China operations. These companies were drawn from recognised sources, including the Italian Fondazione Altagamma, the French Comité Colbert, the US-based Council of Fashion Designers of America, the British Council of Fashion, and Walpole. Moreover, the authors consulted the directories of the top ten luxury malls across China and the directories of the Peninsula Hotel Beijing (the initial entry point for luxury fashion retailers to China in the 1990s), as well as marketing reports such as those by Bain & Co. (2017), Deloitte (2017), and McKinsey (2017). This yielded a potential sample of 115 companies. However, to increase the validity and reliability of the results, it is essential that the necessary knowledge, experience and expertise could be verified. To this end, the companies identified were assessed according to whether they originated from countries outside China to ensure their experience of internationalisation in the Chinese market and that they had a minimum of five years of experience and operations in at least two regions to ensure a depth and expanse of knowledge and understanding of Chinese consumers and business markets. From the original 115 companies, 76 were contacted to participate in the research in May 2018. Fourteen of the

76 potential participant companies agreed to take part in the research, a participation rate of 18%.

Case study research often employs several data sources, including company documentation and archival information, observation and interviews (Silverman, 2017). For this study, the authors collected the primary data based on semi-structured interviews and complemented this data with secondary data including company annual reports and documentation, and market research reports. Thirty-one semi-structured interviews were carried out with executives in the case study companies, producing insights into operations and strategic decision making across several levels and functions within the organisations. Data collection was conducted to the point of saturation, where no additional or new information was considered to be revealed, and similar instances were commonly repeated (Bloor and Wood, 2006). The interviews were carried out between October 2018 and May 2020 and each lasted between 70 and 90 minutes. All participants were promised confidentiality. The interview questions are available in Appendix A. Table 1 summaries the profiles of the interviewees. It is necessary to acknowledge that this study shared a similar database and samples to as Bai *et al*. (2021b) and Bai *et al*. (2021c), because the data were collected deliberately for multiple research papers.

Table 1: Profile of the participant luxury fashion retailers and the interviewees

	Country of origin	Retail Format	Ownership structure	Interviewee position	Marketing strategies (initial entry & post entry)	Initial entry time & city & entry mode
A	France	Design house	Subsidiary	Vice President, Retail Director	Global & Multinational	1992 & Beijing & Organic growth
B	France	Design house	Private	Managing Director, Retail Operations Director	Global & Multinational	1996 & Beijing & Organic growth
C	Germany	Accessories specialist	Subsidiary	Managing Director, Wholesale Manager	Global & Multinational	1996 & Beijing & Organic growth
D	Germany	Design house	Private	Business Development Director, Retail Director	Global & Multinational	1994 & Shanghai & Franchising
E	Italy	Design house	Private	Managing Director, Wholesale Manager	Global & Multinational	1995 & Beijing & Franchising
F	Italy	Design house	Private to Subsidiary	Retail Manager, Managing Director, Brand Manager	Global & Multinational	1993 & Beijing & Franchising
G	Italy	Design house	Subsidiary	Vice President, Brand Manager	Multinational & Multinational	2007 & Shanghai & Organic growth
H	Spain	Design house	Subsidiary	Vice President, Managing Director	Global & Multinational	2001 & Shanghai & Organic growth

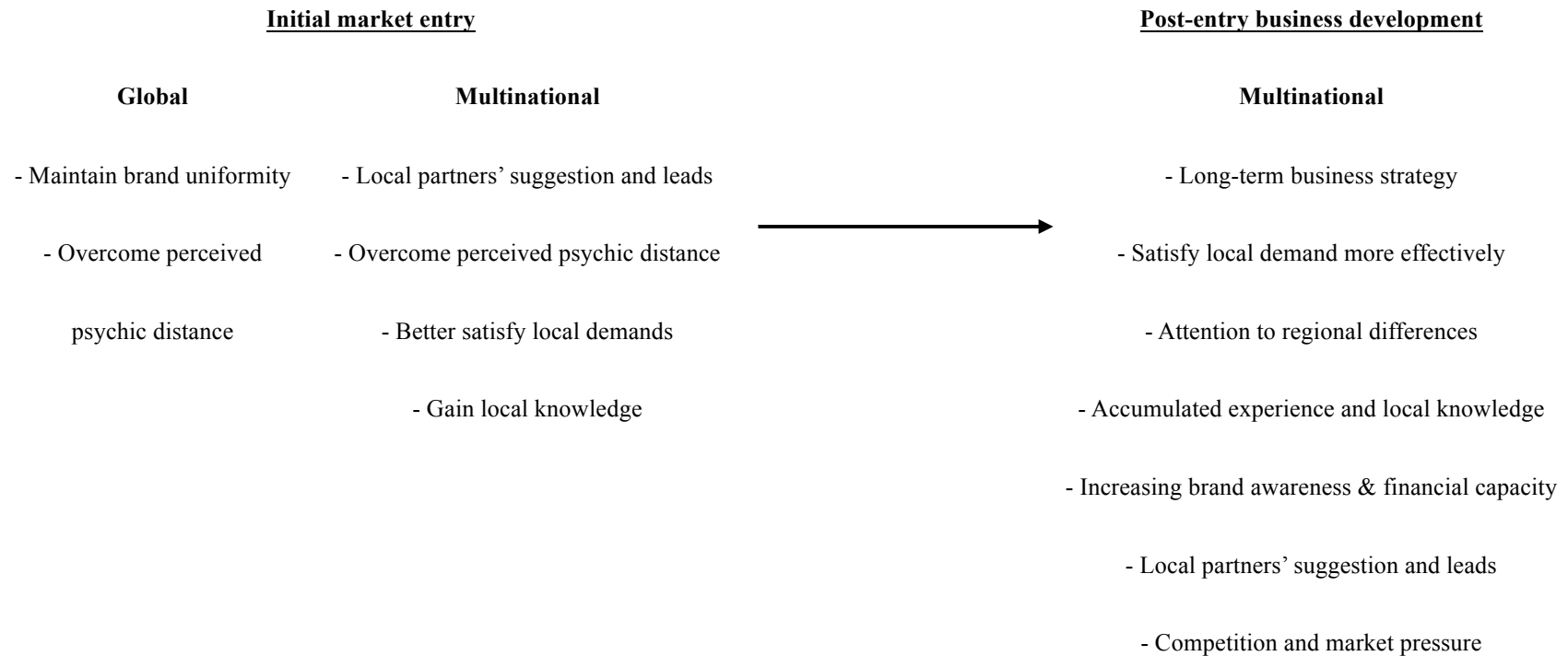|						
I	Switzerland	Jewellery & watches specialist	Private	Managing Director, Digital Marketing Manager	Global & Multinational	1999 & Beijing & Organic growth
J	Switzerland	Design house	Private to Subsidiary	Vice President, Digital Marketing Director, Retail Director	Global & Multinational	1991 & Beijing & Organic growth
K	UK	Design house	Private to Subsidiary	Managing Director, Retail Director, E-Commerce Manager	Multinational & Multinational	1997 & Beijing & Licensing
L	UK	Design house	Private	Retail Market Manager, Strategy Director	Global & Multinational	1993 & Shanghai & Organic growth
M	US	Design house	Private	Digital Market Manager, Retail Director	Multinational & Multinational	1997 & Shanghai & Franchising
N	US	Design house	Subsidiary	Vice President, Retail Director	Multinational & Multinational	1996 & Beijing & Joint venture

Thematic analysis allows for the interpretation of large amounts of rich and complex data (King and Brooks, 2017). Braun and Clarke (2013) suggested a six-step process including familarisation with the data; the generation of initial codes; and searching for, reviewing, defining and naming themes, before finally producing the report. Computer-based qualitative analysis packages can help organise data and facilitate the data analysis process (O'Kane *et al.*, 2021). On this basis, the researchers used both interview data and annual reports and internal documentation to identify, code and analyse emergent themes according to the six-step process using NVivo 10, which allowed the researchers to triangulate the data and minimise any subjective bias of the researchers and the interviewees, thus strengthening the validity and reliability of the data and the findings (Silverman, 2017).

4. Results

4.1 Increasing Importance of Localised Multinational Marketing Strategies

As Figure 2 shows, although the sample luxury fashion retailers used both standardised *global* and localised *multinational* marketing strategies when they entered China, *multinational* marketing strategies became increasingly important in their post-entry operations. This is evidenced by the fact that all the participating retailers adopted localised *multinational* marketing strategies for their post-entry business development.

Figure 2: Increasingly important localised marketing strategies in China

<div align="center">

Initial market entry   **Post-entry business development**

Global   **Multinational**   **Multinational**

- Maintain brand uniformity   - Local partners' suggestion and leads   - Long-term business strategy

- Overcome perceived   - Overcome perceived psychic distance   - Satisfy local demand more effectively

  psychic distance   - Better satisfy local demands   - Attention to regional differences

                                  - Gain local knowledge   - Accumulated experience and local knowledge

                                                                           - Increasing brand awareness & financial capacity

                                                                           - Local partners' suggestion and leads

                                                                           - Competition and market pressure

</div>

During the firms' initial Chinese market entry, *global* marketing strategies were more common than *multinational* marketing strategies (as Table 1 in the previous section reports). Of the ten participating retailers who adopted *global* strategies, seven entered China through organic growth, and three through franchising. In terms of retailing format, the sample includes eight design houses, which offer a wide range of products including clothing and lifestyle accessories; one accessories specialist; and one jewellery and watches specialist. In terms of ownership structure, seven were private brands and three were group-owned subsidiaries. Typically, privately-owned luxury design houses are more likely to adopt standardised *global* marketing strategies and to enter China through wholly-owned organic growth.

The most important reason for luxury fashion retailers' standardised *global* marketing strategies is the desire to maintain their existing brand uniformity and brand management culture (Keller, 2009). Nine participant retailers highlighted this motivation. For instance, participating retailer A (a group-owned French design house), emphasised that

"*The products we sell, the services we provide, and the marketing strategies we use to promote the brand are the same around the world. We must make sure that every single detail of the brand (management) is the same in all markets*".

Thirteen participating retailers entered the Chinese market before 2002, when China officially obtained WTO membership, indicating restrictive policies for foreign direct investment (Siebers, 2011). To minimise the perceived risks related to psychic distance, they sought to replicate their niche brands and products and retailing know-how and to transfer them to

China, as an under-developed market with considerable potential. Eight participant retailers

confirmed this motive. Participant retailer L (a private British design house) explained:

"*We did not need to localise our marketing mix to the market conditions in the 1990s, because what the Chinese consumers needed at that stage was our brand and products with British heritage and craftsmanship, so a standardised marketing strategy was more suitable… This standardised marketing strategy also helped us reduce potential risks in terms of political and cultural barriers*".

Although the benefits of economies of scale are commonly a major reason behind a

standardised *global* marketing strategy (Tan and Sousa, 2013), the result of this study did not

confirm the role of this factor, as no participants expressed the belief that their standardised

marketing strategies were driven by cost-savings. On the other hand, only four participant

design houses (two private brands and two subsidiaries) adopted *multinational* marketing

strategies for their initial market entry. In terms of entry modes, local partnerships, including

licensing, franchising and joint ventures, were more popular than wholly-owned organic

growth. Local partners' support and local knowledge were identified as an important reactive

motive for the localised marketing strategies of the three participant retailers who entered

China through local partnerships. For instance, participant retailer K (a British design house

which changed its ownership from a private brand to a subsidiary after initial entry to China)

confirmed this, and explained:

"*Our partner has a greater depth of understanding of the market and consumer needs, so we need to adapt our marketing mix in China, especially for products, in terms of size, colour, fabric and even design*".

Proactive motives were more significant, including the desire to overcome the perceived psychic distance between China and the home countries; the ambition to tailor the marketing mix to local conditions to more effectively satisfy demand, particularly amongst fashion-orientated design houses; and the willingness to gain local knowledge. Four participating retailers confirmed these proactive factors. For instance, participant retailer G (a group-owned Italian design house), which entered the market in 2007, recruited local senior managers to make all the operational decisions in the Chinese market to gain in-depth local knowledge and fully satisfy local demand. They explained:

"*We not only recruit senior management in China, but they can also make all decisions for the operations in China. We believe [in] 'Yin Di Zhi Yi' (tailoring to local conditions), because Chinese managers rather than managers from the brand's country of origin can most truly understand the market conditions in China*".

Subsequently, localised *multinational* marketing strategies have become increasingly popular and important in luxury fashion retailers' post-entry operations and business development. Indeed, all fourteen participating retailers adopted *multinational* marketing strategies. The reasons they adopted localised marketing strategies in post-entry business development were primarily proactive, including long-term business strategies in China; the desire to satisfy local demand more effectively, particularly in terms of intrinsic regional differences; the accumulation of experience and local knowledge; and increasing confidence based on growing brand awareness and financial capacity. For instance, participating retailer H (a group-owned Spanish design house) changed their standardised *global* marketing strategy (during initial entry) to a localised *multinational* marketing strategy (for post-entry business

development), and explained the rationale as follows:

"*After a few years of success in the Chinese market, particularly in building higher brand awareness and increasing experience and understanding, we were encouraged to adopt a localised marketing strategy because we wanted to better satisfy Chinese consumers in different regions. You cannot offer the same products for the South and the North because of different climates and consumer preferences*".

The two reactive motives behind the changes in marketing strategies related to local partners' suggestions and market pressure. Participating retailer N (a group-owned American design house) entered and further expanded in China through its local partnership. Their local partner, because of their local knowledge, connections and in-depth understanding of local consumers, drove their marketing strategy and business operations. Moreover, participating retailer D (a private German design house) changed from a *global* strategy to a *multinational* one, as their competitors changed or adopted localised marketing strategies. Therefore, localised *multinational* marketing strategies generally became necessary in foreign luxury fashion retailers' post-entry business development in China. The details of these localised strategies in terms of product are discussed in further depth below.

4.2 Localised Product Strategies in Practice

This study reveals that localised product strategies are increasingly important in foreign luxury fashion retailers' post-entry business development in China. Only six participating design houses (four private brands and two subsidiaries) which entered China through local partnerships localised their product design to meet local needs. They all confirmed that the

localised product design was driven by their local partners' insightful local knowledge and in-depth understanding of Chinese consumers' actual needs. For instance, participating retailer E (an Italian design house that changed its ownership structure from a private brand to a subsidiary after the initial entry in China) highlighted this importance:

"Our partner helped us to tailor our product design to be more suitable for the market because of their solid local knowledge and strong experiences in luxury fashion. We could not have achieved the current success without their contribution to the adaptation of the product design at the early stage".

Subsequently, in parallel to the increasing local knowledge and greater depth of understanding of Chinese consumers, ten participating design houses and one accessories specialist localised their product designs during post-entry operations to different extents to address issues relating to sizing and local preferences. All of them confirmed that these adaptations of the product designs to local conditions required approval from the head offices in the home markets. For instance, participating retailer M (a group-owned American design house) confirmed that their localised product design was driven by accumulated experience and the ambition to better satisfy market demand by adapting sizes, materials, fabrics, and even colours, explaining that:

"Because of the considerably different local conditions and consumer preferences, we have adjusted the size and design of our products to fit Chinese consumers because of their (relatively) smaller figures and preferred designs and colours; for example, most Chinese consumers prefer slim cut suits".

The majority of participant retailers still centrally controlled their product sourcing. Only

participant retailer K sourced intermediate products from China in the initial market entry stage. During the post-entry operations, three participating retailers, F, J, and K, sourced intermediate products (such as fabrics) rather than final products from China (passively) because of their changed ownership structures, changing value chains, and extended product portfolios. For instance, participating retailer J (a Swiss design house, which changed its ownership from a private brand to a subsidiary after initial entry to China) extended its product portfolio to a wider range of cotton and wool ready-to-wear and soft accessories from its core leather products after it became a group-owned subsidiary, and explained:

"Due to our changed ownership structure, our product portfolio was extended to better fit the parent company's long-term strategy. That is why we started to source fabrics (for these new products) from China".

Localised product portfolios are more significant. Only three private design houses, which entered China originally through local partnerships, have since adapted their product portfolios to local conditions. Two of them suggested that local partners' suggestions and leads motivated their adaptation. Over time, all the participating retailers, including the specialists in accessories, jewellery and watches, adjusted their product portfolios to some extent for their post-entry operations. The main reasons behind these increasingly localised product portfolios include accumulated experiences and local knowledge and as a response to regional differences in consumer preferences and even the climate. For instance, participating retailer B (a private French design house) indicated that they had optimised their leather accessories for fast-growing e-commerce and electronic transactions by reducing their offering of long wallets and large handbags, and offering more small cardholders, pouches for

mobile phones and small bags. Similarly, participating retailer C (a group-owned German accessories specialist) was developing a lifestyle brand image through different product portfolios in different regions decided by store managers, to better satisfy local demands:

"*We are building a lifestyle brand image in China by providing localised products, such as 'Mahjong' (a Chinese board game as an accessory) and Zodiac limited editions… Store managers (in China) can make decisions about their product assortments, so the products in every store are relatively different*".

Moreover, establishing a Chinese brand name has become increasingly important for internationalising luxury fashion retailers, especially in the current globalised era. This is evidenced by the fact that it is difficult to raise brand awareness and loyalty without a Chinese name. However, the naming process is challenging and requires solid local knowledge to do it well. Thirteen participant retailers confirmed such difficulties, particularly French and Italian firms. However, a Chinese brand name is deemed more capable of promoting brand awareness, enhancing brand identity and even raising brand loyalty in China, as Liu *et al.* (2016) reported. A Chinese brand name also enhances a firm's global business performance because of the increasing importance of Chinese tourism and overseas Chinese consumers. For instance, participating retailer I (a private Swiss specialist in jewellery and watches) explained that:

"*Although 'Xie Yin' (homonym) is a difficult challenge, the Chinese brand name is necessary, because it is impossible to promote the brand if customers cannot pronounce it… The Chinese brand name also helps to strengthen brand awareness and identity worldwide as this appeals to overseas Chinese and accounts for Chinese consumers' cross-border shopping*".

Therefore, in terms of product strategies, foreign luxury fashion retailers experienced a learning process in China since the initial market entry as they move towards post-entry business development. The inclusion of increasingly important and popular localised product designs and product portfolios as firms gain further experience and local knowledge demonstrate this fact, although localised product sourcing in China remains far less important. Moreover, a Chinese brand name has become necessary not only in China but also from a global perspective.

5. Discussion

In contrast to previous studies, which generally examined luxury fashion retailers' internal organisational characteristics (Fionda and Moore, 2009; Hutchinson and Quinn, 2011; Guercini and Milanesi, 2017; Ko *et al*., 2019), this study reveals that luxury fashion retailers' international marketing strategies in foreign markets are influenced by both their internal characteristics and external market conditions. Further, luxury fashion retailers should adapt their marketing strategies, particularly those related to products and communications, according to the host market conditions, especially in a psychically distant, continent-sized emerging market (Bonetti, 2014; Liu *et al*., 2016).

Indeed, foreign luxury fashion retailers adopted both standardised *global* and localised *multinational* marketing strategies when they first entered China, where there are considerable differences from the home market in terms of policies, economics, culture, and market structure (Bai *et al*., 2018). As discussed earlier, *global* strategies were much more

popular than *multinational* strategies. Luxury fashion retailers adopt *global* marketing

strategies for two main reasons: to maintain brand uniformity and a willingness to overcome

perceived psychic distance. More specifically, this study recognises that privately-owned

luxury design houses are more likely to adopt standardised *global* marketing strategies and to

enter China through wholly-owned organic growth. The present findings therefore partially

contradict those of Evans *et al*. (2008), who argued that generic retailers are keen to adopt a

localised marketing strategy to minimise the perceived physic distance. This could be caused

by the differences between the two kinds of retailers in terms of merchandise and branding

strategies, and luxury fashion retailers' *born-global* nature (McColl and Moore, 2011).

Nevertheless, the wish to overcome perceived psychic distance is a major reason behind other

firms' localised *multinational* marketing strategies during their initial Chinese market entry

(Evans *et al*., 2008). The goals of obtaining local knowledge and better satisfying local

demand also provide a proactive motivation for these retailers to adopt localised strategies.

This is especially important for small and private design houses which engaged with local

partnerships to enter the market, and where local partners' suggestions and leads have heavily

influenced their localised marketing strategies (Bai *et al*., 2017).

Subsequently, having obtained a degree of local knowledge and experience, *multinational*

marketing strategies are increasingly important in the majority of luxury fashion retailers'

post-entry operations. This supports Liu *et al*.'s (2016) suggestion that luxury fashion

retailers adopt a localised communication strategy in China largely because of different

consumer behaviour patterns. Such dynamically evolving marketing strategies in China therefore contradict the more standardised marketing strategies in traditional developed markets such as the UK (Moore *et al.*, 2010). Moreover, this study identified the motivations behind such changes and the reason for the increasing popularity of localised marketing strategies. First, in parallel to the decline in traditional luxury fashion markets, luxury fashion retailers focused on China as a long-term business strategy (Siebers, 2011). Second, accumulated experience and local knowledge, as well as increased brand awareness and financial capacity, motivated these firms to proactively adopt localised marketing strategies (Bai *et al.*, 2021a). Third, intrinsic regional differences in China in terms of economic development, urbanisation, culture, lifestyle, and even climate, drove them to adapt their marketing mix in order to better satisfy local demands (Doherty *et al.*, 2014).

Similarly, during the initial Chinese market entry stage, luxury fashion retailers tended to centrally controlled their product strategies, in particular the product design, sourcing, and portfolio. A Chinese brand name was also seen as optional. However, having gained local knowledge and experience, they adapted their product design in their post-entry operations to differing degrees, particularly the fashion-oriented luxury brands (Wigley and Chiang, 2009). Additionally, local management played an increasingly important role in decision-making related to the product portfolios, which became localised according to the variations between the regions. These findings therefore suggest that luxury fashion retailers should adapt their product portfolios and product designs to some extent to enhance their commitment to the host market. Moreover, product sourcing still requires central control, although some firms

began to source some intermediate products locally. This study also reveals the new finding that luxury fashion retailers' changing ownership structures influences localised product sourcing in China, especially for firms currently owned by emerging market multinationals (Bai *et al*., 2021a). These findings partially contradict those of Kapferer and Bastien (2012), who suggested that luxury retailers should centrally control their product strategies to maintain a consistent brand image globally over time. Finally, in contrast to Melnyk *et al*. (2012), who identified that brand names in a foreign language could be a double-edged sword, the present study confirms that Chinese brand names have, in fact, become increasingly important and are even seen as necessary for luxury fashion retailers in China to raise brand awareness and boost brand loyalty (Bai, 2016; Kim *et al*., 2020).

To summarise, to succeed in foreign markets, luxury fashion retailers should execute two kinds of marketing activity: first, they require the ability to monitor and understand changing conditions in a host market; second they must be able to respond to market changes by adjusting their marketing strategies, especially their product strategies, whilst still applying a globally consistent branding image.

6. Conclusion

Retailer internationalisation is a continuous and dynamic process, but understanding of their post-entry operations after initial market entry remains under-developed (Alexander and Doherty, 2010; Frasquet *et al*., 2013; Swoboda *et al*., 2014; Bai *et al*., 2017). Departing from recent studies by Bai *et al*. (2021b) and Bai *et al*. (2021c), which offered in-depth insights

into luxury fashion retailers' post-entry expansion strategies in terms of motives and directions, this study extends the current international retailing literature by examining luxury fashion retailers' changing international marketing strategies as they move from initial Chinese market entry towards post-entry business development by investigating luxury fashion retailers' international marketing strategies (Moore and Burt, 2007). In particular, it identifies the interrelations between luxury fashion retailers' retailing formats, ownership structures, market entry modes, and changing marketing strategies.

Based upon fashion retailers' marketing mix (McGoldrick, 2002; Wigley and Chiang, 2009), this study further extends the understanding of luxury fashion retailers' localised product strategies, including product design, product sourcing, product portfolio and Chinese brand names, in a continent-sized, but psychically distant, emerging market as they move from initial entry towards post-entry operations. Indeed, understanding how marketing and product strategies change during the two phases provides in-depth insight into luxury fashion retailers' decision making regarding their commitment to the market, trading characteristics and expansion strategies (Bai *et al.*, 2017). This study also enriches the literature on international marketing and international business, which to date focused on manufacturers and high-tech firms, by extending this understanding to luxury fashion retailers, which offer intangible value, especially via premium services, for higher-income consumers globally (Joy *et al.*, 2014).

This study also offers several managerial implications. First, practitioners in luxury fashion

retailing who are keen to internationalise into psychically distant emerging markets should design their international marketing and product strategies based upon their own intrinsic conditions, in terms of their specific internationalisation strategy, international experiences, retailing format, and ownership structure. In particular, new entrants should localise their marketing and product strategies from the initial market entry onwards (Liu *et al.*, 2013). Second, to enjoy sustainable success in post-entry business development, practitioners are advised to continuously adjust and further localise their marketing strategies to the fast-moving host market conditions. Third, rather than focusing on brick-and-mortar stores for initial entry, retailers should increase their use of technology, especially e-commerce and multiple channel retailing, in their post-entry expansion, as these will help increase their brand awareness and reputation (Bai *et al.*, 2021c). Fourth, brands should further evolve product strategies. As well as an appropriate Chinese brand name, product design should be adapted to local consumers' needs. The product portfolio should be further adapted to reflect regional differences in economic development, urbanisation, consumer preferences, and local culture (Liu *et al.*, 2016). Additionally, localised product sourcing can be an option if brands wish to enhance their lifestyle image. Brands can do so by sourcing specialised Chinese products, such as *Mahjong*, traditional furniture and annual special-edition Zodiac-related products, and diversifying into services such as hotels, spas, and restaurants. Lastly, such dynamic and increasingly localised strategies in marketing and products is also applicable in other continent-sized emerging markets, such as Russia and India.

The limitations of this study are threefold. The research findings were generated from China.

Whilst it is the second-largest luxury fashion market globally, application to developed

countries such as the USA may be questionable, particularly where there are considerable

differences in policies, economic development, social and cultural conditions, and even

geographic size (Bain & Co., 2019). Meanwhile, the relatively small sample size here could

be challenged. However, the authors consider the thirty-one interviews obtained from

fourteen participating luxury fashion retailers, across a wide range of countries of origin,

retailing formats and ownership structures as diverse and strong enough to represent the

realities of the market. Finally, only conducting two or three interviews with each

participating retailer could be an issue; however, all interviewees were top-level managers in

their organisations and capable of offering strategic and operational insights.

Future research may test and extend the dynamic model (in Figure 2) of luxury fashion

retailers' international marketing strategies and localised product strategies developed in this

study through quantitative research, such as using a larger sample to examine the similarities

and differences across different market environments. Future studies may also extend the

findings of this study by examining alternative marketing strategies adopted by luxury

fashion retailers in the post-entry expansion phase in China and in other markets, with a

particular emphasis on companies which adopt e-commerce-only business models.

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Appendix A – Executive Interview Questions

1. What international marketing strategy (standardised *Global* or adapted/localised

    Multinational) did your company employ to enter into China? Could you please share

    your opinion of why?

2. After initial market entry, did your company change the marketing strategy (standardised

    Global or localised *Multinational*) for post-entry business development in China? Could

    you please share your opinion of why if yes or no?

3. Have your company adapted product design to the market conditions after initial Chinese

    market entry? Could you please share your opinion of why if yes or no?

4. Since China is famous as the world's factory for numerous brands, have your company

    started to source (intermediate and final) products from China? Could you please share

    your opinion of why if yes or no?

5. Because of considerable regional differences in China, have your company adjusted

    product portfolio according to various local conditions? Could you please share your

    opinion of why if yes or no?

6. In your professional opinion, do you think a Chinese brand name is important for your

    company's business development in China, and why?