

Chapter 21

The Outlook of Luxury Fashion Retailers' Multiple Channel Distribution Strategies

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Introduction

Rapidly developing technology, in particular online communication through social media, and online shopping, has significantly changed consumer lifestyles (Zhang *et al.*, 2017). This shift in lifestyle from offline to online has become particularly significant since the COVID-19 pandemic. For example, although the global luxury fashion market shrunk by 90% in 2020, luxury fashion consumption in China sharply increased by 48% due to restrictions on international travel and global lockdown (McKinsey, 2021), with most of this expenditure being online (Reuters, 2020). Therefore, in the post COVID era, luxury fashion retailers need to establish e- and m-commerce and to adopt multiple channel distribution strategies, in order to react to the fast-moving consumer market and gain sustainable success by adding more intangible values for target consumers, such as seamless brand experience across channels within an omni-channel retailing (Bai, 2018).

In parallel to increasingly popular e- and m-commerce channels, multiple channel distribution

strategies have become an important research field over the past two decades (Galipoglu *et al.*, 2018). This can be evidenced by the special issues in relation to multiple channel retailing published by journals, such as *Journal of Retailing* and *Journal of Retailing and Consumer Services*, where Scholars have attempted to contribute depth of understanding to various aspects of multiple channel retailing. For instance, Beck and Rygl (2015) classified and compared three kinds of multiple channel distribution strategies, those of multi-, cross-, and omni-channel retailing. Moreover, it is widely regarded that an omni-channel retailing will be the future of multiple channel distribution because of the capacity of offering a constant and seamless brand experience (Verhoef, 2021) and added consumer value (Yrjölä *et al.*, 2018). However, in reality, establishing omni-channel retailing is not feasible for all retailers especially luxury fashion retailers, because of a series of challenges in relation to marketing knowledge, supply chain and logistics infrastructure, as well as organisational management (Ye *et al.*, 2018).

Regardless of their valuable contribution, the limitations of prior studies are considered to be the following three aspects. Firstly, the existing studies ignore the differences between generic retailers and luxury fashion retailers (Guercini and Milanesi, 2017). Secondly, very few have considered the impact of retailers' distribution strategies and channel length on their multiple channel retailing (Bai *et al.*, 2021b). Thirdly, most studies focus on retailers' internal characteristics and neglect the external market environment, which highly impacts retailers' international marketing strategies (Bai *et al.*, 2021a). Therefore, deeper insights can be generated by examining retailers' multiple channel distribution strategies in different

geographical markets, as they are likely to adopt localised marketing and distribution strategies in different countries (Bai *et al.*, 2021a).

Luxury Fashion Retailers' Distribution Strategies

In order to obtain a depth understanding of the characteristics of luxury fashion retailers' distribution strategies, it is necessary to understand what luxury fashion retailers are. In their seminal study, Fionda and Moore (2009) identified a series synergistic attributes of luxury fashion brands, those of product integrity, design signature, premium price, exclusivity, heritage, environment and service, culture, clear brand identity, as well as marketing communication. Indeed, heritage is regarded as one of the key differences between luxury and premium and/or *Masstige* (Kumar *et al.*, 2020). More specifically, because of the nature of retailing, Moore *et al.* (2010) defined luxury fashion retailers as those who “*distribute clothing, accessories and other lifestyle products which are: exclusively designed and/or manufactured by or for the retailers; 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). Based upon these valuable prior studies, it is clear that luxury fashion retailers are different from generic distribution retailers, in terms of merchandising, branding and distribution strategies, and channel length (Alexander and Doherty, 2009).

Indeed, Moore *et al.* (2010) identified two types of distribution strategies and channel length adopted by luxury fashion retailers. As manufacturer brands, they export and wholesale their products to high-end department stores and specialist luxury fashion chains, such as Selfridges and Flannels. In this situation, selective distribution strategies are employed, because of the wider access of distribution retailers' networks. Meanwhile the channel length is relatively longer, the intermediaries include luxury fashion brands, distribution retailers, and consumers. On the other hand, as retailer brands, the products offered by luxury fashion retailers are not only tangible consumer goods but also intangible services with strong psychological benefits (Ko *et al.*, 2019). Therefore, they are more likely to adopt exclusive distribution strategies through limited numbers of concessions in luxury department stores, standalone stores, especially flagship stores in premium districts such as Mayfair and Knightsbridge in London. Because of their born-global nature and own brand strategies, luxury fashion retailers' channel length is relatively shorter (McColl and Moore, 2011). The direct marketing allows them to develop and maintain their own customer relationship management (Kapferer and Valette-Florence, 2016).

However, these findings were generated from the UK, one of the most competitive markets in the world (Veloutsou *et al.*, 2021). Similar to other developed markets, high-end department stores are popular and important for luxury fashion retailers (Alexander and Doherty, 2009). This is limited to explain different infrastructures of emerging markets. For instance, Bai *et al.* (2017) identified that standalone stores in luxury malls and high-end hotels are the most important and popular format adopted by internationalising luxury fashion retailers in China.

This indicates that exclusive distribution strategies with shorter channel length are more appropriate in emerging markets. Moreover, as e-commerce was not well developed yet, the model is limited in explaining multiple channel distribution strategies (Wood *et al.*, 2021).

Multiple Channel Retailing

Scholars such as Davis-Sramek *et al.* (2020) identified that consumers’ willingness to integrate and interact between channels triggered retailers’ multiple channel distribution strategies. For example, besides *Click-and-Collect* services, consumers’ desire to return online purchases to brick-and-mortar stores has encouraged retailers to integrate channels partially or fully (Bressolles and Lang, 2020). Table 1 below compares two important and popular multiple channel retailing strategies by evaluating their advantages and challenges respectively.

Table 1: Multi-channel retailing *v.s.* Omni-channel retailing

	Multi-channel	Omni-channel
Aim	- Reach consumers	- Offer a unique and seamless brand experience
Focus	- Sales	- Brand and product feature
Channel integration	- No integration	- Full integration
Channel objective	- Sales and experiences per channel	- Consistency and engagement - Total sales over channel mix
Channel scope	- Relatively limited channels - Add channel(s) if possible	- Diverse channels - Optimise (add or reduce) channels
Competition	- Cannibalisation of sales - Internal competition	- Embracing sales and market competition

On the one hand, retailers aim to reach as many consumers as possible by offering the maximum number of channels through a multi-channel retailing (van Baal, 2014). Because adding an additional channel requires considerable investment and expertise in terms of human resource, finance and logistics, retailers adopt relatively limited numbers and types of channels, such as brick-and-mortar stores and official e-commerce (Karim and Qi, 2021). These channels are managed and operated separately without integration, meaning a shared customer relationship management between channels is absent (Verhoef *et al.*, 2015). For example, different channels target different consumers through various price, product portfolio and services. Therefore, consumer experiences with the same retailer could be different across channels (Acquila-Natale and Iglesias-Pradas, 2020). Meanwhile, this strategy is sales focused, and each channel has own sales target. This could lead to cannibalisation of sales between channels, and ~~then~~ potential internal competition (Hübner *et al.*, 2015).

On the other hand, retailers attempt to create and maintain a unique, overall and seamless brand experience via an omni-channel retailing due to the benefit of full integration between channels (Verhoef, 2021). They therefore optimise a channel mix by adding or reducing channels to ensure an efficient and effective collaboration between channels (Galipoglu *et al.*, 2018). In this strategy, the channel mix is made up of diverse channels, including physical stores, e-commerce, social media, and more (Cai and Lo, 2020). Since this strategy targets same consumers via the integrated and interactive channel mix, there is consistency in terms of price, product mix, communication content, and after-sales service (Bai *et al.*, 2021b).

Moreover, the sales target of this strategy is total sales across the channel mix. All channels are therefore required to collaborate, and share information via regular internal communications (Acquila-Natale and Iglesias-Pradas, 2020). For instance, a globally shared CRM database has become necessary for luxury fashion retailers because of more frequent cross-border shopping and overseas holidays (Bai, 2018). Further, omni-channel retailing embraces sales and market competition, because it is brand- and product-feature-focused (Ishfaq and Bajwa, 2019).

Between multi- and omni-channel retailing, Beck and Rygl (2015) argued that retailers can also partially integrate channels via cross-channel retailing, which is triggered by consumers' willingness of interaction between channels partially. In this strategy, product, price, customer information, and after sale services are shared and accessible between a number of channels but not all. For instance, Louis Vuitton does not support product exchange and/or return between concessions in department stores and their own stand-alone stores in the UK (Chevalier and Gutsatz, 2020). Verhoef *et al.* (2015) argued that most of traditional retailers who developed multiple channel distribution strategies from offline to online are keen to adopt this strategy. Further, from a dynamic perspective, researchers suggest cross-channel retailing as the transformation from multi- to omni-channel retailing to strengthen long-term customer relationship and satisfaction (Frasquet *et al.*, 2019).

Luxury Fashion Retailers' Multiple Channel Distribution

As discussed earlier, omni-channel retailing is regarded as the future of multiple channel distribution strategies because of its capacity to offer a constant and seamless brand experience and added consumer values (Verhoef, 2021). Nevertheless, previous studies also have identified a series of substantial difficulties in omni-channel retailing, such as e-fulfillment (Davis-Sramek *et al.*, 2020), supply chain management (Thaichon *et al.*, 2020), integration of channels (Gang *et al.*, 2020), consumer relationship management across channels (Zhang *et al.*, 2018), and channel loyalty (Xu and Jackson, 2019). In particular, using case studies of fashion retailers in China, Ye *et al.* (2018) argued that a fully integrated omni-channel retailing is restricted by three major challenges, those of marketing knowledge, supply chain and logistics infrastructure, as well as organisational management. Therefore, establishing omni-channel distribution strategy is not feasible for all luxury fashion retailers.

Indeed, based upon case studies of thirteen internationalising luxury fashion retailers across a wide range of country of origin, retailing formats and ownership structures, Bai *et al.* (2021b) revealed that all the three multiple channel distribution strategies (multi-, cross-, and omni-channel retailing) have been adopted by luxury retailers in China. Firstly, multi-channel retailing is more appropriate for retailers who adopt a selective and/or an exclusive distribution strategy. They distribute products through multiple channel lengths, 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). In these circumstances, customer relationship management is not shared by the luxury fashion retailers and their local partners. Therefore, consumer's brand experience is

likely to vary because of the separate channels.

Secondly, cross-channel retailing strategy is suitable for retailers who are in transition from local partnerships to directly-owned business development and expansion, after their initial entry into China. Meanwhile, they attempted to reduce the channel length, and aim to change their distribution strategies from selective to exclusive. Through this, these retailers can create more intangible values for their target consumers, and strengthen the consumer brand experience via integrated and interactive channels as well as shared customer relationship management. The cross-channel retailing confirms the findings of Bai *et al.* (2018) that increasingly luxury fashion retailers are shifting their post-entry expansion and operation strategies from local partnerships to those of direct control. This strategy also confirms retailers' strategic shift from multi- to omni-channel retailing (Verhoef *et al.*, 2015; Frasquet *et al.*, 2019).

Thirdly, omni-channel retailing strategy is more appropriate for the retailers who adopt an exclusive distribution strategy. They distribute products through a relatively short channel length, the most important being direct marketing through all channels, including brick-and-mortar stores, official online store in their websites, e- and m-commerce through e-commercial platforms and social media. Therefore, luxury fashion retailers can highlight their vision and value through their distribution channels (Bai, 2018).

Furthermore, the boundary of luxury fashion retailers' distribution and communication

strategies has been blurred by omni-channel retailing. Integrated and interactive channels allow for eco-system for channels. For instance, online social media and offline brick-and-mortar stores especially flagship stores can be used as both distribution and communication channels (Moore *et al.*, 2010; Felix *et al.*, 2017). Bai *et al.* (2021b) argued that integration between offline and online channels can be facilitated by (scanned) QR Code and digital facilitates in stores, *Click-and-Collect* service, and public relations events in stores. Because of the high degree of intangible value created by inter-personal communication and personalised services, sales assistants' social media such as *WeChat* (the most popular social media for Chinese, over 800 million active users) should be regarded as an important part of these retailers' CRM. Particularly, it is suggested that *WeChat* should be adopted on a global perspective rather than on the basis of China-only, because of the considerable value of Chinese consumers' cross-border shopping, and overseas Chinese residents (as both consumers and floor sales staff).

Final Thoughts

From an international retailing perspective, this chapter has discussed and evaluated luxury fashion retailers' multiple channel strategies. In particular, it investigates feasibility of the three multiple channel retailing strategies and highlights the opportunities and challenges for both multi-channel and omni-channel distribution strategies in the context of China. The chapter also contributes to building depth of insight into retailers' localised distribution strategies in a continent-sized emerging market where considerable regional differences exist.

It is suggested that practitioners adapt their distribution strategies in international markets through a multiple channel distribution strategy to satisfy local conditions, of particular important importance for the next wave of emerging markets CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) (Veloutsou *et al.*, 2021). As well as regular brick-and-mortar stores, they should strengthen the strategic advantage of flagship stores (Moore *et al.*, 2010), e-commerce through official online stores and e-commercial platforms, the official website and social media platforms (Bai, 2018). It is suggested that retailers consider their internationalisation strategies, distribution strategies and channel length for target host markets when designing either a multi-channel or an omni-channel distribution strategy.

The findings of this chapter were generated from China, the world's largest luxury fashion market (Bain & Co., 2021; McKinsey, 2021). The psychic distance between China and other markets is considerable. Therefore, it is suggested that subsequent studies test this chapter's findings through quantitative methods with larger samples in other geographic markets and/or for other kinds of retailer, especially large-scale multinational grocery supermarket chains. Further understanding of multiple channel retailing strategies of e-commerce-only luxury fashion retailers such as Strathberry are expected.

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