

LUXURY FASHION RETAILERS' INTERNATIONALISATION: A MIXED-METHODS STUDY OF DYNAMIC PROCESS IN CHINA

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Keywords

Internationalisation, International Marketing strategies, International Retailing, Luxury Fashion Marketing, Luxury Fashion Retailers, Globalisation

Introduction

A new report *China Luxury Market Report 2022* in Bain & Company (2023) revealed that the Chinese luxury market contracted 10% year-on-year in 2022 caused by Covid-19-related business disruptions. This marked the end of a five-year streak of exponential growth in the luxury market. However, China still remained the most promising market in spite of setbacks in 2022 (Bain & Company, 2023). In the context of the Chinese luxury fashion market, even though there is increased scholars' interest in the perspective of consumer behaviour (Xu and Nuangjamnong, 2022; Wang *et al.*, 2021), social media (Sun *et al.*, 2022; Bazi *et al.*, 2020), and brand management (Rao and Ko, 2021; Faschan *et al.*, 2020), only a few have employed the scope of international retailing (Bai *et al.*, 2022b; Liu and Bai, 2022). Additionally, the generality of the existing literature has adopted an international business perspective on emerging market multinationals (EMNCs) and focused on Western traditional MNCs rather than EMNCs (Bai *et al.*, 2022b). Therefore, the study is deserved to propose in the China market whilst as an emerging market from an international retailing perspective.

More recently, Bai *et al.* (2022a) found that luxury fashion retailers employed both standardised global and localised multinational marketing strategies when they originally entering into China. Correspondingly, evidence from IKEA's internationalisation, with a business model of incremental growth, while its initial entry into China was standardised, it later became more local, then integrated into the global market, based on the research of Burt *et al.* (2021). This hinted that luxury fashion retailers' internationalisation is a dynamic process. Moreover, Alexander and Doherty (2010) stated that internationalisation in retail is a continuous and dynamic process. Yet, existing studies provided at a strategic level from a relatively static perspective (Bai *et al.*, 2022a; Wigley and Chiang, 2009). Besides, Gu (2012) disclosed the crucial success factors for luxury fashion retailers are not static but dynamic and change with

the market environment change. The research gaps in the prior literature serve as an explicit guide for this study. As such, a dynamic perspective will be adopted in this study across time, particularly as these retailers' transition from the initial stages of entry into a foreign market to the post-entry phases of development in those markets.

Purpose

Prior studies have focused on supermarkets more than luxury fashion retailers (Burt *et al.*, 2021; Burt *et al.*, 2017; Burt *et al.*, 2016; Moore *et al.*, 2010). For instance, Burt *et al.* (2017) analysed the experiences of Tesco, Carrefour, Walmart, and IKEA's four retailers in different host countries, which provided insights into the challenges and opportunities that retailers face in adapting to local conditions. Furthermore, Frassetto *et al.* (2013) based on empirical data from Spanish retail firms operating in international markets whilst delineating the relationship between dynamic capabilities and post-entry internationalisation activities. This study therefore aims to develop a model of the dynamic process of luxury fashion retailers' internationalisation in China, within the perspective of international retailing.

Conceptual framework

The theoretical underpinning is the earlier theory of the Uppsala Model (Johanson and Vahlne, 2009 & 1977), which is from the perspective of international business and explained the globalisation process. The Uppsala Model states that firms initially expand to the markets psychically approximate to their domestic markets, and when they become more confident through earned local market know-how and international experience, they then enter into more distant markets (Bai *et al.*, 2021b; Vahlne and Johanson, 2017). For example, the internationalisation of ZARA and H&M seems to follow the Uppsala Model that they first chose their investment in geographically and/or culturally close foreign markets to their home markets before they extend into more psychological distance markets when they have gained local knowledge and international experience (Bai *et al.*, 2021a). The Uppsala model identified that a firm internationalisation direction is influenced by psychic distance, which is reflected by the retailers to minimise perceived risk such as manufacturers, fast fashion, and luxury fashion retailers (Bai *et al.*, 2021a; Johanson and Vahlne, 2009). The concept of psychic distance has been employed by Alexander and Doherty (2009) in order to examine the determinants of retailer internationalisation, including geographical/cultural proximity, sufficient economic development, and similar social conditions as the domestic market. A classic international business literature describes psychic distance as the core of the incremental internationalisation approach, which explores issues such as culture, language, education, business practice, political and legal systems, economic growth, and industrial structure (Evans *et al.*, 2008).

This study thus will follow the classical international business model - The Uppsala Model, employs the perspective of international retailing, and provides insight into the luxury fashion retailers' dynamic international marketing strategies in China, to develop an initial conceptual framework - Luxury Fashion Retailers' Dynamic International Marketing Strategies in China (see Figure 1).

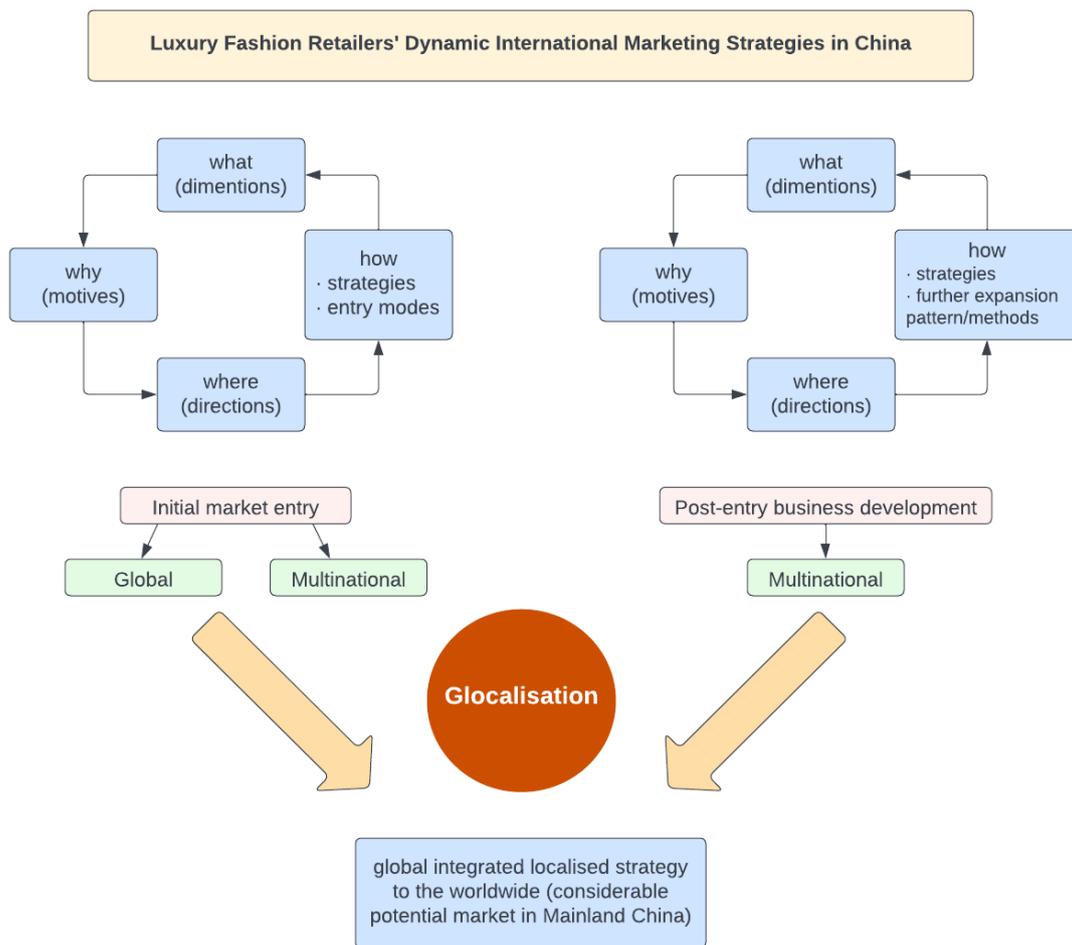


Figure 1: Heart Model of Glocalisation (Initial conceptual framework - Researcher’s construct)

As Figure 1 shows, the process of luxury fashion retailers’ internationalisation in China, from initial market entry to post-entry business development (Bai *et al.*, 2022b), and then standardised global integrated adapted multinational marketing strategy led to the glocalisation (Liu and Bai, 2022). This followed the Uppsala Model which is these international luxury fashion retailers’ initial entry chosen geographically and culturally close markets, and further chosen more psychical distance markets when they gained more confidence. Indeed, the China market is worldwide since a considerable potential market and the Chinese consumer has one of the highest levels of consumption power on the planet, this would generate China market from domestic going global once again or integrate to other markets. This study will depth examine each process in detail in terms of what (dimensions), why (motives), where (directions), and how (strategies/entry modes in initial market entry and further expansion pattern/methods in post-entry business development).

Methodology

This study will employ a mixed-methods endeavour to answer the research questions of ‘what’, ‘why’, ‘where’, and ‘how’, aiming to examine the dynamic marketing strategies of luxury fashion retailers in China. As Creswell and Creswell (2018) pointed out, mixed methods can provide a comprehensive, deep understanding of an issue whereas only utilising a single method would not have the desired effect. Subsequently, a pragmatic two-stage including the first stage of qualitative depth semi-structured interviews, and the second stage of quantitative questionnaire would adopt. The study sample will consist of luxury fashion retailers operating in China. In the first stage, in-depth interviews with the senior executives from the target retailers would collect as primary data, which enables us to provide an exclusive understanding from senior executives of luxury fashion retailers' marketing strategies in the China market. The secondary data would collect the documentary data from the official website, and official annual reports to examine the research questions. The second stage questionnaire questions would generate from the first stage finding, to quantitatively test the feature designed from the first phase findings produced in certain ways. Data from quantitative measurements could offer a highly reliable, valid method of generalising findings.

In the first stage, twelve participants will recruit from the target luxury fashion retailers, which will be selected from the members of the world-leading professional luxury fashion organisations which includes Walpole (UK), the British Council of Fashion (UK), the Italian Fondazione Altagamma (Italy), the French Comité Colbert (France), and the US-based Council of Fashion Designers of America (US). Additionally, based on Deloitte's latest annual list of 100 luxury companies in the world, the screening was conducted which is evaluated mainly by established organisations' marketing reports, including Bain & Company, KPMG, Mintel, and McKinsey & Company. In the plan, the target samples will be recruited from two major kinds of companies. The first is multi-brand parenting conglomerates, such as LVMH, Kering Group, Richemont Group, Hermès Group, Prada Group, Capri Group, Burberry Group, Brunello Cucinelli Group, Ralph Lauren Group, and Moncler Group. The second is independent or private brands, such as CHANEL and BURBERRY, etc. In terms of the country of origin of participating retailers, the present study will not only focus on the developed country market but also consider emerging country markets, especially China, such as Shandong Ruyi Group and Fosun Fashion Group, etc. The interview data will be analysed through thematic analysis, a number of codes created with NVivo 12. Interview questions will be asked concerning, for instance, the motives behind luxury fashion retailers' internationalisation, the most effective international marketing strategy for business development management after luxury fashion retailers' initial entry into mainland China/post-entry.

In the second stage, a Likert-scale questionnaire will be designed and delivered to the senior executives in the target organisations. The pre-considered delivery number is 130, in order to gain a high response rate. The mean value will compare to the independent sample t-tests in SPSS 22. Questionnaire questions will be asked concerning, for instance, the entry method(s) and expansionary method(s) is (are) employed by luxury fashion retailers in China. The questionnaire will require about 15 minutes to complete.

Projected findings

The study is still ongoing and has not yet been completed. The projected findings would be the gaps in the existing literature as mentioned above. Many studies focus on supermarkets; from a relatively static perspective; and studied on Western more than emerging market multinationals such as China. By reviewing the literature, a new model develops for the dynamic process of luxury fashion retailers' internationalisation.

Potential contributions

This study adopts an international retailing perspective and innovatively examines the dynamic and continuous process of luxury fashion retailers' internationalisation, as current studies focused on a relatively static perspective Bai *et al.* (2018). This study enriches international retailing and international marketing strategies literature. It also contributes to the knowledge of glocalised marketing strategies, as the study possibly implies the importance of an integrated approach for international luxury fashion retailers to maintain their business development in China market.

Potential practical implications

Practitioners could use the findings of this research when evaluating appropriate entry strategies into the Chinese luxury fashion market. In addition, this study would suggest the practitioners remain their business development in China market or attend to entering other similar EMNCs by adopting a dynamic process of an integrated approach - glocalisation. Furthermore, the internationalisation of luxury fashion retailers would be suggested continuously adjust their marketing strategies whether initial entry or post-entry.

Research potential limitations and outlook

The participants of this study are specific, only senior executives from luxury fashion retailers which entered into China market. The eligible people are a small group, which means recruitment would be challenging to get access. The subsequent studies would suggest continuing this study to fill the initial conceptual framework model, and test or extend it.

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