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# The standardization-localization dilemma of brand communications for luxury fashion retailers' internationalization into China<sup>☆</sup>

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## ABSTRACT

This paper considers the standardization-localization debate within the context of foreign luxury fashion retailers' internationalization into the emerging Chinese marketplace. Luxury retailers must balance a global-local dilemma, given the challenging trading conditions of a complex marketplace with low brand awareness and loyalty, alongside the need to maintain exclusivity and standardization of brand image across all markets. Qualitative data from 22 luxury fashion retailers currently active in the Chinese market provide rich insights that reveal the decision-making process for marketing strategies that support entry into China. Foreign luxury retailers balance the 'global-local dilemma' in China firstly by locating operational management control within the strategic hub of Hong Kong, and secondly by implementing far more adaptive and enterprising marketing communications than seen in other mature markets. At the same time, foreign luxury retailers retain tight strategic control of key branding dimensions at head offices in their home markets, as part of a successful long-term luxury brand management strategy. As Chinese luxury consumers increasingly feel part of a global elite, over-localization may cause confusion over brand identity and country of origin (COO). The insights may be strategically useful for luxury retailers entering or expanding in China and also provide indications of future trends of luxury retailing in China and other emerging markets.

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## 1. Introduction

The luxury fashion sector has undergone considerable structural change, as couture houses expanded in scale and scope, with many luxury fashion retailers internationalizing extensively through market segmentation and the development of diffusion brands to target a global segment of cosmopolitan luxury consumers. Consumer desire for luxury goods transcends national and regional cultural boundaries, forming a global luxury culture (Wiedman, Hennigs, and Siebel, 2007), and horizontal segmentation strategies adopted recognize these developments (Cleveland, Papadopoulos, & Laroche, 2011). Key constructs of luxury brands contributing to consumer motivation to purchase include heritage/history, craftsmanship/product integrity and global reputation (Fionda & Moore, 2009). China's emerging luxury market provides luxury retailers with immense opportunities (Bain & Co., 2011; KPMG, 2013) along with considerable marketing challenges resulting from its high psychic distance from countries of brand origin (O'Grady & Lane,

1996). Retail challenges include the vast size of the country and significant regional differences, censorship of international social media, unreliable printed media and low brand awareness (Chevalier & Lu, 2010; Kapferer & Bastien, 2009). Consequently, brands must 'localize' marketing communication strategies (Chevalier & Lu, 2010). This paper offers deeper insights into the decision-making processes of industry experts responsible for negotiating these challenges, by posing the following research question. How do foreign luxury fashion retailers balance the need for adaptation of marketing communications to overcome challenging local market conditions in China, alongside the need for standardization of marketing communications, to maintain exclusivity of brand image globally?

The following sections review the literature on Chinese consumer behavior, luxury retail internationalization and standardization/adaptation theory. After setting out the qualitative methodological approach, the study presents research findings. The final section offers a conclusion and discussion of managerial implications.

## 2. Characteristics of the Chinese luxury consumer

Luxury retailers' global expansion involves targeting wealthy consumers and elite levels of society (Kapferer, 2014). As cosmopolitan consumers gain extensive exposure to other cultures via traveling or

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global media consumption, they develop more international and less provincially-oriented self-perceptions (Alden, Steenkamp, & Batra, 2006; Cleveland et al., 2011; Yeğenoğlu, 2005). Promulgated by the mass media, certain product categories become symbols of modernity and cosmopolitanism within a global consumer culture (Alden, Steenkamp, & Batra, 1999) and luxury goods may be used to signal social and personal identity (Hennigs et al., 2012; Zhang & Kim, 2013). However, despite the rapid development in Chinese luxury consumers' taste and sophistication in first-tier cities (i.e. Beijing, Shanghai, Guangzhou, Shenzhen), to a level where Chinese consumer behavior converges with that of consumers in mature markets (Bain & Co., 2012; Mintel, 2012), evidence suggests Chinese consumers still endorse both modern and traditional values (Dong and Tian, 2009; Hung, Li, & Belk, 2007).

Chinese consumer luxury purchasing behavior is significantly different to other nationalities, with the lack of brand awareness and loyalty, beyond the most recognizable brands, representing key barriers to retailer success in China (Bain & Co., 2011; Chevalier & Lu, 2010; Lu, 2011, 2012; Zhan & He, 2012). Chinese luxury consumers are younger (KPMG, 2013; Lu & Pras, 2011) and more conspicuous than those in developed Western markets, and their motives for purchasing luxury goods are to show off their wealth and social status (Chadha & Husband, 2006; Kapferer, 2014; Li, Li & Kambele, 2012; Lu, 2011; Lu & Pras, 2011). In recent years, however, Chinese consumer behavior has shifted to a greater focus on intrinsic value, rarity and exclusivity (Harjani, 2013; Kapferer, 2014; KPMG, 2013; Red Luxury, 2012). Chinese consumers' behavior is also influenced by a brand's social meaning and the sense of belonging to a desirable social group, as opposed to the focus upon self-expression and individualism typically found in Western markets (Kapferer, 2014; Shukla & Purani, 2011; Zhan & He, 2012). Furthermore, Chinese luxury consumers are not only concentrated within the four Tier 1 cities, but increasingly fragmented across Tier 2, 3 and 4 cities, that could provide future investment opportunities for foreign retailers (Deloitte China, 2011).

### 3. Luxury retailing internationalization: standardization and adaptation

Fashion retailers tend to adopt a global strategy that replicates domestic retail formulas across geographical markets in order to control brand image (Alexander & Doherty, 2010; Salmon & Tordjman, 1989). Success depends on creating an exclusive brand image through globally standardized advertising campaigns, store format and product offerings (Moore, Fernie, & Burt, 2000). Luxury brand communication strategies aim to not only sell the product, but also create a dream and reinforce brand values (Dubois & Paternault, 1995; Kapferer & Bastien, 2009). Standardizing brand positioning and advertising is therefore essential in maintaining consistency. Global positioning confers greater credibility, authority, power and value, ultimately leading to stronger brand equity (Aaker 1991; Kapferer 1992). This differs from other consumer goods categories, where advertising standardization/adaptation decisions tend to be based on cost efficiency considerations (Cleveland et al., 2011; Fastoso & Whitelock, 2007). Luxury retailers also tend to adopt centralized management, aiming for a high degree of control over brand perception and development of operations in foreign markets (Kapferer & Bastien, 2009).

To succeed in international expansion, luxury retailers must maximize brand power, but with the rapid growth of emerging markets with different characteristics, it becomes crucial to adapt to local market needs (Chevalier & Lu, 2010). Marketing of luxury goods must also balance satisfaction of increasing consumer demand and protection of brand status and exclusivity (Dubois & Paternault, 1995; Kapferer, 2014). Hence, retailers' international strategies are largely based on a mix of both global and multinational approaches (Goldman, 2001). Brand communications seeking cultural congruity with consumer preferences in a particular region may incorporate local cultural values,

nationalistic appeals, colors, symbols, artifacts, and myths (Westjohn, Singh, & Magnusson, 2012). Advertising examples include simple linguistic and visual adaptations, or more extensive adaptations involving model ethnicity, sentiments, usage situations or advertising appeals (Hung et al., 2007; Zhou & Belk, 2004). China's complex luxury retail market necessitates adaptation of marketing communication strategies to include PR tactics such as lavish flagship store events, fashion shows and use of Chinese celebrities as brand ambassadors to increase brand awareness (Bain & Co., 2012; Chevalier & Lu, 2010; McKinsey, 2012; Mintel, 2012).

### 4. Method

Using a phenomenological approach (Goulding, 2005) to generate understanding of a real-world issue in a meaningful way (Patton, 2002), the first author conducted expert interviews during 2009–2014 with senior marketing managers in 22 luxury fashion retail brands operating in China. Previous studies focusing on luxury fashion retailers have successfully utilized such qualitative approaches (Dion & Arnaud, 2011; Moore et al., 2000; Tynan, McKechnie, & Chhuon, 2010).

Following Zhang and Kim (2013), the term 'luxury fashion' includes all items that can be worn on the person including apparel, watches, jewelry and leather goods. The sample came from a wider population of luxury fashion brands present in the Chinese marketplace in 2008, which were identified using the luxury associations of four countries that produce luxury fashion goods (Fondazione Altagamma, Italy; Comite Colbert, France; Walpole, UK; CFDA, USA), luxury market reports (Mintel, Bain & Co., McKinsey), online databases (WGSN, Business of Fashion) and top fashion magazines (*Vogue China*, *Elle China*). The authors contacted 57 foreign luxury fashion brands, identified from the above sources, and ultimately a final self-selected sample of 22 companies (representative in terms of size, country of origin and scope of product range), agreed to participate (see Table 1). Brand identity in all cases is anonymized at the request of respondents.

Adopting a purposive sampling strategy within each company to access senior managers with relevant expertise and depth of involvement allowed for the creation of information rich cases (Patton, 2002), as shown in Table 1. The authors contacted the CEO of each company, who then provided access to the most relevant employee. Subsequently, a snowball technique provided access to further relevant employees in each company. The first author conducted an average of two semi-structured face-to-face interviews, lasting an average of 90 min in total with each brand, with at least one interview at Director level. Given the fast-moving nature of the business environment and the Chinese market slowdown since end of 2012 (due to the Chinese government's clamp-down on corruption), eight companies agreed to participate in follow-up interviews in 2014 (companies 1, 2, 3, 4, 6, 10, 17, and 20). Each interview covered a number of topics, as appearing in Table 2.

Respondents gave permission for interviews to be recorded, which enabled subsequent transcription. As a form of thematic analysis, template analysis (King, 2012) facilitated data organization and reduction, enabling systematic comparison of themes across a large body of data to provide a rich and detailed account (Braun & Clarke, 2006). From the literature review, the authors generated a priori codes to create the initial template for analysis and the flexibility of the template analysis method allowed the incorporation, where appropriate, of additional codes as the interpretive process proceeded (King, 2012). The study used established qualitative data analysis principles to identify cross-connections and relationships within the data (Miles & Huberman, 1994). The authors analyzed the data deductively, by coding the interview transcripts according to key themes identified in the literature, and inductively, with themes emerging from the data itself (Braun & Clarke, 2006). The authors then revisited the literature alongside the preliminary analysis, which led to re-coding and refinement of themes

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