

**Working Paper  
n°: 2015-112-01**

The standardization-localization dilemma of brand communications  
for luxury fashion retailers' internationalization into China

Sindy Liu <sup>a</sup>, Patsy Perry<sup>b</sup>, Christopher Moore <sup>c</sup>, Gary Warnaby<sup>b</sup>

a International University of Monaco, 2 Av. Albert II, Monaco

b The University of Manchester, Oxford Rd., Manchester M13 9PL, UK

c Glasgow Caledonian University, 40 Fashion Street, Spitalfield, E1 6PX, UK

September, 2015

An ulterior version of this article is forthcoming in Journal of Business Research, DOI:

10.1016/j.jbusres.2015.08.008

It can be purchased at: <http://www.sciencedirect.com/science/article/pii/S0148296315003458>

## **Abstract**

This paper considers the standardization-localization debate within the context of foreign luxury fashion retailers' internationalization into the Chinese market. Luxury retailers must balance the 'global-local dilemma', given the challenging trading conditions of an emerging 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 present 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 greater entrepreneurship in marketing communications than seen in other mature markets. At the same time, foreign luxury retailers tightly control the strategies that affect their brand positions at the head offices in their home markets, as part of a successful long term luxury brand management strategy. The insights may be strategically useful for luxury retailers entering or expanding businesses in China and also provide a guideline for the future trends of luxury retailing in China and other emerging markets.

## **Introduction**

The luxury fashion market represents an important and increasing sector of the worldwide retail industry (Husic and Cicic, 2009; Park, Rabolt and Jeon, 2008). Although relatively small in terms of the number of companies, the luxury sector punches far above its weight both in terms of sales and more importantly, influence. The best design, the best materials, the best merchandising, and the best packaging occur in the luxury industry, and hence luxury brands frequently lead the way for the rest of the marketing world (Ko and Megehee, 2012). In recent times, the sector has undergone considerable structural change, as the couture houses expanded their scale and scope, with an increasing number of luxury fashion retailers internationalizing their businesses on a significant scale

through market segmentation and the development of diffusion brands. Furthermore, the rapid development of luxury emerging markets since the beginning of 21<sup>st</sup> century, led by China, provides luxury retailers with immense opportunities albeit greater challenges than ever before.

Studies focused on luxury retailing recognize that a globalised approach is the most common strategy for luxury fashion retailers, since the determination of their success depends on creating an exclusive brand image through globally standardized advertising campaigns, store format and product offerings (Ferne, Moore, Lawrie and Hallsworth, 1997; Moore 1998). Luxury fashion houses adopt standardized marketing strategies across all of their international markets to maintain their brand image ( Moore and Burt, 2007). The importance for luxury retailers to standardize their brand image in international markets, especially their brand positioning and advertising, is essential in maintaining a consistent global brand image, which is a key factor in luxury retailing where brands are the ultimate equity (Kapferer and Bastien, 2009). Luxury communication strategies aim to create a dream and to recharge a brand's value, not merely sell (Kapferer and Bastien, 2009), and this justifies a distinct research approach from other consumer goods categories, where advertising standardization/adaptation decisions tend to be based on cost reduction considerations rather than brand building reasons (Fastoso and Whitelock, 2007). Marketing of luxury goods requires companies to find a balance between satisfying increasing consumer demand in the international market, and maintaining the brands' status and exclusivity. Kapferer (2014, p.377) highlights "the constraint created by the rarity principle that blocks the growth of luxury brands", since successfully meeting the "tsunami of demand" represented by emerging Asian economies could lead to overpenetration and a loss of exclusivity.

With China renowned as the world's fastest growing economy during the past 30 years, its emerging luxury market has provided luxury retailers with immense opportunities (Bain & Co., 2011), despite the potential issues resulting from high psychic distance (O'Grady and Lane, 1996). China is

also worth studying from a luxury brand communications perspective, given its unique trading situation compared to other markets. For example, the regulations governing the entrance of Western firms into the market has changed dramatically in recent years, as has consumer behaviour and retail infrastructure (Lu, 2010b, 2011; Chevalier and Lu, 2010). Luxury retailers must adapt to the many specific marketing conditions in China, especially the low brand awareness, censorship of international social media, unreliable printed media and the size of the country, to 'localise' their communication strategies in order to raise brand awareness (Chevalier and Lu, 2010). Academic and industry sources acknowledge that Chinese consumer behaviours are different to others, and the lack of brand awareness and loyalty are the key barriers to success in China (Lu, 2010b, 2011 & 2012; Chevalier and Lu, 2010; Bain & Co., 2009, 2011; Mintel, 2011; Zhan and He, 2012). Chinese luxury consumers are younger than those in developed Western markets, predominantly male and keen to purchase luxury goods abroad. In addition, studies conducted within the Chinese consumers' luxury buying behaviour identify that Chinese consumers are highly conspicuous (Lu 2010b, 2011; Lu and Pras, 2011), and that they have a strong appetite for Western products, since they link Western brands with high social status. Thus, their motives for purchasing luxury goods are to show off their wealth and social status (Kapferer, 2014; Chadha & Husband, 2006; Lu 2008, 2009). These factors are distinct from mature markets such as Europe, where consumers are becoming more sophisticated and increasingly refrain from highly conspicuous luxury goods (Mintel 2010). Chinese luxury consumers can also be considered more prudent and cautious, as they rely heavily on the recommendations of others and rarely buy unknown brands (Berger, 2012). Furthermore, unlike other markets where the luxury consumers are highly concentrated in capital and key large cities, Chinese luxury consumers are not only concentrated within the four Tier 1 cities, but also increasingly fragmented across 37 Tier 2 cities, with another 620 Tier 3 and 4 cities that could provide investment opportunities for foreign retailers in the future (Deloitte China, 2011). These unique market conditions create a dilemma of how luxury retailers can successfully adapt to local market conditions and still maintain their international standardised image. The adaptation of international

marketing communications, for example via public relations tactics, such as lavish flagship store openings and using Chinese celebrities as brand ambassadors, are an effective strategy for increasing brand awareness in China (Chevalier and Lu, 2010).

Extant literature indicates that analysis of the marketing strategy adopted by luxury retailers in China is a very fragmented and neglected area that deserves further study. Previous academic research on luxury retail internationalisation consist of single case studies mainly based on mature markets (Moore and Birtwistle, 2004, 2005; Moore and Doyle, 2010). Chevalier and Lu (2010) explore luxury retailing in China without solely focusing on fashion retailers and without in-depth analysis of the strategies adopted by the retailers in their study. Fernie et al. (1997), Moore, Fernie and Burt (2000) and Moore and Doherty (2007) examine the importance of flagship stores as a market entry and communication strategy in luxury retail internationalisation but do not consider the Chinese market extensively. Thus, this research makes a contribution by filling the gaps in knowledge on luxury fashion retailers' internationalisation process into China.

## **Literature Review**

Fashion retailers with strong brand identities tend to adopt a global strategy that replicates their retail formulas across geographical markets in order to control their brand image (Salmon and Tordjman, 1989; Alexander and Doherty, 2009). Luxury retailers also tend to adopt standardised marketing mix strategies and centralised management with limited transfer of know-how, aiming to capitalise on profitability through sustaining a high degree of control over their brands and operations in foreign markets (Kapferer and Bastien, 2009).

Nevertheless, with increasing retail internationalization since the mid-1990s and the rapid development of emerging markets, such typologies may be seen as too simplistic to explain the current international retail market (Alexander and Doherty, 2009). For example, Moore et al.'s (2000) study reveals that luxury retailers' process is dynamic and does not always falls into the previous typologies. Goldman (2001) draws on Salmon and Tordjman's (1989) typology, proposing that retailers' international strategies are largely based on a mix of both global and multinational approaches, depending on the opportunities and conditions of each market. Hence, the global-local dilemma becomes a key challenge in international retail operations. To succeed in international expansion, retailers must maximize the power of their brands, but in modern-day retail internationalization, given the rapid growth of emerging markets, it is crucial for retailers to adapt to local market needs. Moore and Fernie (2004) suggest that luxury fashion retailers are moving toward a 'market responsive strategy' because of the increasing demand from consumers for innovation and distinction. In order to achieve international success, fashion retailers must focus on three key factors in international markets:

- Brand management – to convey a coherent international brand image.
- Market entry methods – to maintain control over brand status and control over the distribution of products.
- Marketing strategies – to utilize competitive marketing mix strategies that can be adapted to local market needs.

China is a peculiar and extremely complex market, characterized by vastness of size, low brand awareness and loyalty, and most importantly, the market is non-homogeneous with significant regional differences in retail infrastructure and consumer maturity level (Chevalier and Lu, 2010; Zhan and He, 2012). However, the study of luxury marketing in China is very limited. Chevalier and Lu (2010) conduct the most comprehensive academic study to date and emphasise the need for luxury retailers to adapt in China, in particular their communication strategies, to increase brand awareness

and loyalty. They provide limited examples of the use of flagship stores as a communication channel for PR events but without empirical data on the effectiveness and implications of such strategies.

Marketing communication strategy is particularly important for the Chinese market because firstly, from the consumer perspective, Chinese consumers perceive luxury brands as symbols of superiority that show off their social status and wealth (Lu, 2010b, 2011; Lu and Pras, 2011). Chinese consumers' luxury purchasing behavior is largely influenced by the brands' social meaning within the consumers' social environment, hence marketers must focus on how their products can provide Chinese consumers with the sense of belonging to the desirable social group, as opposed to the focus upon self-expression and individualism typified in marketing communication in Western markets (Zhan and He, 2012). Shukla and Purani's (2012) study of Indian consumers' luxury purchasing behavior confirms the clear distinction between the collectivist psyche of the society, of which China is also part of, where luxury consumption is symbolically driven and seen as a means to achieve social recognition, as opposed to the utilitarian/functional motive behind luxury goods purchasing behaviour found in the individualistic societies like the UK. Nevertheless, market reports in recent years recognize the shift in consumer behavior in China from largely conspicuous to be more focused on intrinsic value and exclusivity, to the extent that market leaders such as Louis Vuitton and Gucci lose their appeal due to over-exposure (Booker 2012; Red Luxury 2012). Market research reports have acknowledged the rapid development in Chinese luxury consumers' sophistication to a level where increasingly Chinese consumers demand exclusivity and rarity, to the point where many Chinese consumers already share the same characteristics as consumers in mature markets (Bain & Co. 2012; Mintel 2012). Therefore, there is a significant gap in examining how foreign luxury retailers balance the adaptation of Chinese consumer needs to maximise market potential in China yet still maintaining brand positioning for long-term success.

Secondly, an important marketing communication strategy for maintaining luxury brand image is the internationally standardized seasonal ad campaign featured in major fashion print media such as Vogue and Elle (Kapferer and Bastien, 2009). Chevalier and Lu (2010) indicate that because of the media censorship from the Chinese Communist Government, no foreign publishers are permitted to publish in China unless partnered with a local government-approved publisher through licensing; thus, all the printed media such as fashion magazines are distributed by local licensees. However, because of the size of the Chinese market, these magazines are often not distributed nationwide; hence they do not reach a wide audience. Therefore, luxury retailers cannot rely on printed media such as glossy fashion magazines as they do in mature markets (Chevalier and Lu, 2010). Despite a brief discussion of the role of the flagship store (Chevalier and Lu, 2010), and the identification of conducting PR events, in particular fashion shows, as an effective communication strategy in China by market reports (Bain & Co. 2012, Mintel 2012, McKinsey 2012); there is no study that examines the implications of marketing communication strategies in China, especially to which extent should foreign luxury retailers localise marketing communication in China to achieve success without losing the standardised international brand image as part of the successful luxury brand management strategy (Kapferer and Bastien, 2009).

In addition, most existing studies within luxury retail internationalization focus on a few market leaders (Kapferer and Bastien, 2009, 2012; Chevalier and Lu, 2010), or on single case studies not specific to the Chinese market (Moore and Birtwistle, 2004, 2005; Moore and Doyle, 2009). Therefore, with China being the most significant luxury market for many years to come, greater knowledge of luxury retailers' internationalization process and strategic challenges would add value to the understanding of this subject area from both academic and practitioner perspectives, to support luxury brands' successful long-term brand management. Thus, this research aims to

contribute to the knowledge gap on luxury retail internationalisation into Chinese market by addressing the following research question:

RQ: How do foreign luxury fashion retailers balance the need for standardisation of marketing communications to maintain exclusivity of brand image alongside the need for adaptation of marketing communications to overcome challenging local market conditions in China?

## **Methodology**

A phenomenological approach aims to generate understanding of a real-world issue in a meaningful way, in this case by undertaking expert interviews with senior marketing managers in 22 luxury fashion retail brands operating in China. Previous studies on luxury fashion retailing have successfully utilised a similar qualitative approach to provide rich and relevant insights into the management decision-making process of luxury fashion retailers on a number of topics, such as market entry strategies (Fernie et al, 1997) and brand management (Moore and Doyle, 2010).

Data were collected during 2009-2011 from 22 foreign luxury fashion brands with a presence in the Chinese market, ranging in size from small independents to large market leaders. The self-selected sample of 22 was taken from the population of 57 foreign luxury fashion brands which were operating in China by 2008. 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), six follow-up interviews were conducted with six of the companies in April 2014, who had experienced key strategic change since 2011 (three large retailers and three smaller retailers for

comparison). The 22 brands had been operating in China for various durations, and included brands who had evolved from small presences in the 1990s to become successful corporations with coherent and complex infrastructures that now lead luxury retailing in China, as well as newer entrants who had only been operating in China for a few years. Additionally, they originated from a number of different countries and their products spanned a range of fashion and accessories categories including men's and women's apparel, leather goods, watches, jewelry, footwear and bespoke menswear. Table 1 below provides further sample information. Companies 3, 6, 10, 12, 13 and 20 were involved in the most recent follow-up phase in April 2014. RTW refers to 'ready-to-wear' (pret-à-porter), which specifically refers to women's wear. Confidentiality prevents indication of companies' names.

Table 1 here.

Respondents were senior management personnel who were either in charge of, or participating in, the marketing activities in the Chinese market; typically the Marketing Director in the brands' head offices, or President of the brands' China region operation. An average of two face-to-face interviews lasting an average of 90 minutes in total was conducted with each brand, with at least one at Director level. All interviews were recorded with the interviewee's permission and brand identity was anonymized on the request on the interviewees. The interview topic guide covered a number of areas including market entry motivation and method, key elements for success and challenges in the market, marketing strategy adaptation, operational control and management strategies. Established qualitative data analysis principles were utilized to identify cross-connections and relationships within the data (Miles and Huberman, 2002).

## Results and Discussion

The study affirms Chevalier and Lu's (2010) view on the importance of adapting marketing communication strategy for entry into China. Foreign luxury retailers balance the 'global-local dilemma' in China by adapting to challenging market conditions, as well as maintaining a standardised luxury image through two key areas of strategic adaptation. The first of these is operational management control: to overcome the lack of local knowledge, foreign luxury retailers use Hong Kong to their advantage in terms of culture, geographic location, human resources and distribution systems. Since most of the luxury retailers have long histories of success in Hong Kong, either through subsidiary or third party, Hong Kong acts as an intermediate management place, providing luxury retailers with the existing resources and knowledge to expand into mainland China successfully. Furthermore, being the most popular tourist destination of the mainlanders, Hong Kong is crucial in increasing brand awareness in China; hence the findings indicate that being successful in Hong Kong can aid luxury retailers' success in China:

*"For brands that already had huge success in Hong Kong, our company could already see the potential of China before the mainland was opened up to foreign investors, through the learning of how the Chinese love luxury goods, their buying pattern and other consumer behaviours that are different to Western markets. Plus the distributors of luxury brands are all from Hong Kong which helped many of our brands' start-up in mainland China" (President of Asia Pacific, Company 5)*

Figure 1 below summarizes the operationalization of foreign luxury fashion retailers' international strategy in China.

Figure 1 here.

The above figure indicates how Hong Kong connects to China and the luxury retailers' home markets, and the way it provides luxury retailers with a perfect intermediate market to strategically manage the Chinese market, despite the lack of complete knowledge of cultural differences in China. The figure summarises the organisation of management control strategy that luxury retailers adapt into the Chinese market, highlighting the process of the adaptation at each stage followed by experience through time, and the advantages of Hong Kong as an intermediate management control strategy. Moreover, it indicates the pattern of future luxury retailing in China, as a decentralized operational management strategy in mainland China, and a centralised strategy in the home market that controls the high level of branding strategy, to maintain a standardised global luxury brand image. Research findings suggest no significant variation according to the size or the product orientation of the companies. However, company 17 which did not exist in the region before starting up the partnership with a mainland Chinese company that had no existence in Hong Kong either; hence this study acknowledges Hong Kong as an instrumental step for foreign luxury retailers to expanding into mainland China, and can aid the retailers as a strategic 'gateway' to the mainland Chinese market. The six follow-up interviews indicate Hong Kong is still the most popular shopping destination of the mainland Chinese, and Hong Kong still has much more luxury expertises than mainland which is significant for the further development of the vast Chinese market ; hence incorporating Hong Kong into the brand management of mainland China is significant for luxury brands' long term success in the region:

Secondly, in terms of marketing communication strategy, due to the low brand awareness and loyalty by Chinese consumers, retail success is largely dependent on the brand's recognition level. Findings suggest that foreign luxury retailers are adapting to this challenging market condition by undertaking heavy communication strategies to build up brand awareness and increase brand loyalty. From these strategies, PR events are the most popular marketing communication strategies –

for example, store openings, special fashion shows, exhibitions that showcase the brands' heritage and craftsmanship, and charity events. The flagship store was again identified as a highly effective marketing strategy to increase brand awareness in China, as 20 out of the 22 companies set up either directly-owned flagship stores or sizable standalone boutiques managed by their partners. Flagship stores were found to offer retailers the perfect marketing tool for establishing brand image and for organising events, affirming previous studies on flagship store as a key marketing strategy for luxury retailers' brand image (Moore and Doherty, 2007). However, the current study extends previous literature by emphasizing the importance of setting up flagship stores in China not only at country level but at regional level too, given the size of the market. Additionally, flagship stores were found to assist smaller luxury brands to reposition their brand upwards, and hence increase their brands' image and status. Setting up flagship stores and regional flagship stores was one of the most significant strategies to success, as indicated by all participants, including one of the leading British luxury retailers (Company 10), whose CEO spoke of the PR benefits achievable from the store opening events: local media would clamour to report the presence of Chinese celebrity guests at launch parties in second or third tier cities, which enabled the effective establishment of brand image in regional locations. The Vice President of Company 1, a current market leader, highlights the importance of regional flagship stores in such a vast marketplace where wealth is not solely concentrated in first tier cities:

*"In such a big country with regional differences, a lot of messages simply get lost if you only communicate in Shanghai or Beijing, and there's no better ways to communicate than establishing your brand image via a flagship store, so the regional flagship store is very important in China, especially since the wealth is not only concentrated in first tier cities like in most other markets"*

Figure 2 summarizes the key strategies achieved through the use of flagship stores by foreign luxury retailers in China. In the vast Chinese market, flagship stores and regional flagship stores can act as a platform to represent the luxury brands' image and a location to conduct a series of marketing strategies to create brand awareness and increase brand loyalty. This is a unique strategy that is specific to China, as the flagship store provides smaller luxury retailers with the advantage of upwardly positioning their brands in China if located in premium surroundings, such as within the same shopping malls as large luxury retailers, with the ultimate goal of increasing brand awareness.

Figure 2 here.

### ***Adaptive and entrepreneurial communications***

For larger foreign luxury retailers, research findings indicate that because the flagship store is highly associated with luxury brand's prestige and status in China, not only it is necessary for large retailers to set up flagship stores and regional flagship stores with magnificent architecture, flagship stores also provide larger retailers with a public relations tool to experiment with entrepreneurial communication strategies. Particularly in the case of a key brand from the Swiss conglomerate (Company 5) and Company 17 (both very small in size internationally compared to their counterparts but both highly recognizable in China), both indicated that their flagship stores enabled them to experiment with better customer relationship management in China such as opening up private clubs within their flagship stores. Many luxury retailers are entrepreneurial in communications in the Chinese market to an extent not been seen before in other markets, for example by producing special collections or products for China, through active social media involvement, PR events and TV advertising. Innovation in marketing communication attracts consumer attention and PR benefits, thus building brand awareness. In the case of larger retailers,

such activities maintain market leader position by showing artistic innovation and special care for Chinese consumers, as a means of increasing brand loyalty :

*“Chinese are very demanding shoppers... we’re always trying our best to offer consumers better shopping experience than others; other than offering the most luxurious shopping experience possible. We’ll soon improve our aftersales service by offering free repair service for customers who purchased our products outside, because Chinese buy a lot abroad”(Vice President, Company 1)*

*“We had a big fundraising event for families who suffered in the Sichuan earthquake, inviting very well-known Chinese celebrities with a big fashion show replicate the seasonal Milan fashion show...Chinese people very much appreciated that, it showed the company cares about the people in China. It’s very innovative because corporate responsibility was such a new thing back in 2008 in China” (International Group Marketing Director, Company 18)*

*“We are very discreet in other markets, but our partners insist on the need to adapt in China that we must conduct more events to communicate with Chinese consumers. So we have had exhibitions to showcase our heritage and craftsmanship, and that was very useful in building up brand awareness” (Director, Company 17)*

Educating the consumer by way of exhibitions that highlight the artisanal techniques and craftsmanship underpinning the luxury products, as well as the legendary roots of the brand, is an effective way of building brand awareness and communicating the symbolic authority and intangible benefits of the luxury brand (Kapferer, 2014).

### ***Dangers of over-localization***

However, respondents also identified the danger in over-localization to the extent of compromising the standardized international luxury brand image. Over-localization could result in inadvertently patronizing the consumers or cause consumer confusion regarding brand identity.

*“Companies really must consider China as part of the global community; it’s silly to try to become the ‘ clichéd Chinese’ because Chinese hate gimmicks...putting a dragon on an Aston Martin or Ralph Lauren doing a whole Chongshen dress collection is considered as stupid and patronizing by Chinese!” (Company 7, President of Greater China Region)*

*“It’s a terrible mistake to over-localize. We did some consumer research about Emporio Armani after the company used two Hong Kong celebrities to front their campaign in the Greater China Region, and the mainland Chinese thought it’s a completely different brand to the Armani brand, and thought the brand is of Hong Kong origin...So it’s clear that the brand image must be consistent internationally to avoid confusion over brand identity.” (Company 6, Head of Marketing Strategy & Media)*

The findings suggest that Chinese luxury consumers prefer to be considered part of a global elite, rather than being targeted as a sub-set. Hence, the marketing strategies that can affect brand image, such as seasonal ad campaigns and bi-annual key collections, should be strictly centralized in all luxury companies as part of a successful long term brand management strategy, as per Kapferer and Bastein’s (2009) view that luxury brands must standardize advertizing to maintain their luxury image and positioning.

### ***Regional nuances between city tiers***

Regarding retail store expansion, the follow-up interviews acknowledged the danger in over exposure of luxury brands in China, which subsequently lead to label fatigue, especially as Chinese consumers are not brand loyal. Thus, for established brands in China, the key is to focus on the development of existing flagship stores in first tier cities and prominent second tier cities, and avoid over-exposure of the brand in the rest of the country, to maintain the brands' status and exclusivity. Respondents from the follow up interviews explain the nuances between first tier and lower tier consumer behaviors, for example an interviewee from a large company indicated that:

*"We've noticed a significant change of behavior in Chinese consumers since 2012: the Chinese from first tier cities are very sophisticated, comparable to the West; but most second tier cities and third tiers are still highly conspicuous. So marketing strategies must be more targeted than before, and of course, first tier cities are crucial for luxury brands' image. I think a few superbrands made the mistake of opening too many shops in Shanghai, thinking they must catch up with the demand of the market without realizing the rapid development of Chinese consumers' level of sophistication, so now they got tied up to some new shopping malls and cannot get out. Store opening must be carefully planned, some brands are suitable for heavy expansion but some aren't, especially the ones who are at the highest position"*  
(Commercial Area Manager of Greater China, Company 12)

Respondents from other companies indicated similar views, and the interviewees from smaller companies emphasized how the rapid development of consumer sophistication provides smaller luxury brands with greater opportunities in first tier cities. Therefore, the already established luxury brands in China must seek out more innovative strategies to increase brand loyalty and maintain consumers' interests. Data from 2009-2011 identified the need for a high level of adaptation in marketing communication, and other than flagship stores as a significant brand image building strategy, PR events are the most significant marketing communication strategy in China. Figure 3 below summarizes the key marketing strategies adopted by foreign luxury retailers in China, which

must be coherent and facilitate the creation of a 360 degree integrated marketing campaign for successful long term brand management in China.

Figure 3 here.

The follow-up interviews indicate the need for an even higher level of adaption and innovation. For example, respondents emphasized the importance of exhibition and PR events aiming at brand education and promotion of heritage and craftsmanship. Citing examples of innovative marketing communications events such as Burberry's 3D holographic store opening show and digitally enhanced flagship stores, respondents spoke of the viral marketing and reputation building benefits of such activities.

*"Our research found that Chinese consumers from first tier cities are interested in story and quality than logos, our brand has an inspiring story for career women who are the key consumer group of our brand, so we had an exhibition of the interesting stories of how the brand shot into fame together with a workshop showing our craftsmanship is comparable to European counterparts"(Company 20, Brand Manager of Greater China)*

*"We are constantly thinking about the innovative ways to excite our Chinese consumers... for example,Swing dance inspired our silk scarf, which is part of our brand identity, so our 'Swinging Silk' events not only exciting and a great tool for product promotion, it also intrigued and educated Chinese consumers about the Western luxury heritage" (Company 12, Commercial Area Manager of Greater China Region)*

*“If you don’t innovate, you are forgotten very quickly in China despite how great your products are! Our last event was very well received, we collaborated with a famous Chinese classical musician Tan Dun to create a song for our most precious yellow diamond which showcased in Beijing.” (Company 13, International Marketing Manager)*

Other interviewees in the follow up interviews shared similar views that being innovative is particularly important in first tier cities, and they cite Louis Vuitton’s same marketing communication strategy for the past ten years including standardized store opening event and endorsing top Chinese celebrities as dated. Similarly, Kapferer (2014) notes how luxury brands’ associations with high art has longer-term benefits than the comparatively superficial tactic of celebrity endorsement. Innovating with art cements the luxury brand qualities of “timelessness, substance, and cultural and temporal substance” (p.376). The follow up interviews also confirmed that using innovative marketing communications is highly useful in building luxury brand status for smaller companies, which is otherwise difficult, and it can subsequently upward position smaller brands and enable them to compete with large brands in first tier Chinese cities. For instance:

*“The consumers in first tier cities are very sophisticated now, it created opportunities for smaller brands if you can come up with unique and interesting strategies to promote the brand. For instance, we created a lively presentation getting models dressed in our house style suits and mimicking the British intelligence in the World War II, all Chinese press and VIP clients were impressed, and it really enhanced our luxury image and enable us to compete with the larger menswear brands in China.”(Company 10, CEO)*

Based on the findings from this study, luxury strategies in China should be categorized into three separate markets, as indicated in Table 2 below:

Table 2 here.

## **Conclusions and Implications**

The importance of balancing the 'global-local dilemma' is significant to foreign luxury retailers in China. This study highlights in particular the significance of incorporating Hong Kong as an adaptive management operational control strategy, and the significance of becoming highly adaptive in marketing communication strategies, in particular setting up flagship stores at provincial level to maximize effective marketing communication impact across the vast Chinese market, and becoming entrepreneurial in marketing communications to further enhance brand awareness and loyalty. Although the importance of adopting marketing strategies to enhance brand image has been acknowledged in previous studies on luxury retailing (Vickers and Renand, 2003; Bridson and Evans, 2004; Kapferer and Bastien, 2009), this high level of adaptation of communication strategies was not previously seen in other markets and can thus be concluded as being distinctive to China, especially considering the fact that many of these innovative strategies were rarely conducted even in the brands' home markets or other big markets, disregarding the size of the luxury retailers. Moreover, such high innovation can aid smaller brands' positioning which create business opportunities for smaller brands in the sophisticated first tier cities. The categorization of the Chinese cities (Table 2) provides valuable overview in understanding the complex current Chinese luxury market, consequently offers strategic direction for luxury retailers' brand development in China in current and near future.

The scale of this study offers valuable insights into the decision-making process of luxury fashion retailers' strategies in adapting to China. Specifically, it highlights the need for luxury fashion retailers to become innovative in China, to support the brands' long-term international development. In balancing the global-local dilemma in China, innovative and educational marketing communication

strategies are the key in luxury brands' long term success in China (Figure 3) to conduct a 360 degree of integrated marketing strategy in China, while taking into account the differences in consumer maturity according to the tier system (Table 2).

### **Limitations and Future Research**

Although this study is more comprehensive than previous research conducted within this context, it may not be entirely representative of the entire population of luxury fashion retailers in China, given that only 22 from 57 brands operating there at the time of the research agreed to participate.

For future research, the models drawn from this study can be empirically tested and theoretically extended within an academic context, and applied by practitioners within the context of luxury fashion retailing. Testing these models by conducting a quantitative study with all luxury retailers currently active in the Chinese market could assist in drawing more complete conclusions on luxury retailers' strategies to success in China. Hong Kong remains as an important intermediate management control strategy which could benefit from further research. Thirdly, in-depth case studies could be conducted on luxury retailers that achieved tremendous success in China by being innovative in adapting to Chinese market conditions, as well as further studies on luxury retailers who experienced failure in the past and re-entered China with different strategies. Such in-depth studies on strategy adaptation would help to clarify the implementation of strategic success in China on a deeper level, further contributing to the knowledge of luxury retail internationalisation. Additionally, conducting comparison studies across different product categories could contribute to the understanding of the different sectors within luxury industry.. This is particularly pertinent since the Chinese menswear market is currently bigger than womenswear, in contrast to mature luxury markets. Finally, the models and theoretical development presented within this study would benefit

from testing out in other emerging markets, especially the Asian emerging markets surrounding China that share similar culture and consumer behaviors, in order to reflect the nuances in global markets as suggested by Andriopoulos and Slater (2013). A further aspect worth investigating would be the difference between Western luxury brands and those originating from emerging countries.

## References

Alexander, N., & Doherty A.M. (2010). International retail research: Focus, methodology and conceptual development. *International Journal of Retail & Distribution Management*, 38 (11/12), 928-942.

Andriopoulos, C., & Slater, S. (2013). Exploring the landscape of qualitative research in international marketing: two decades of IMR. *International Marketing Review*, 30 (4), 384-412.

Bain & Co. (2011). China Luxury Market Study. Retrieved from:

<http://www.bain.com/publications/articles/2011-china-luxury-market-study.aspx>, accessed 1.2.14

Bain & Co. (2012). Luxury Good China Market Study. Retrieved from:

<http://www.bain.com/publications/articles/luxury-goods-china-market-study-2012.aspx>,

accessed 1.2.14.

Berger, R. (2012). Chinese Consumer Report – Luxury. Retrieved from

[http://www.rolandberger.com/media/pdf/Roland\\_Berger\\_taC\\_Chinese\\_Consumer\\_Report\\_Luxury\\_20121017.pdf](http://www.rolandberger.com/media/pdf/Roland_Berger_taC_Chinese_Consumer_Report_Luxury_20121017.pdf) , accessed 1.2.14

Booker, A. (2012). Aggressive expansion in recent years may cause short-term pain, long-term gain. Retrieved from: <http://www.jingdaily.com/as-chinas-luxury-market-evolves-whos-winning-and-whos-losing/21219/>, accessed 1.2.14

Bridson, K., & Evans, J. (2004). The secret to a fashion advantage is brand orientation. *International Journal of Retail & Distribution Management*, 32 (8), 403-411.

Chevalier, M., & Lu, P. (2010). *Luxury China: Market opportunities and potential*. Hoboken, John Wiley & Sons (Asia).

Chadha, R., & Husband, P. (2006) *The cult of the luxury brand: inside Asia's love affair with luxury*, Nicholas Brealey International, London, UK.

Deloitte China (2011). China Powers of Retailing 2011. Retrieved from: [http://www.deloitte.com/assets/Dcom-China/Local%20Assets/Documents/Industries/Consumer%20business%20and%20transportation/cn\\_cbt\\_ChinaPowersRetailing2011\\_181011.pdf](http://www.deloitte.com/assets/Dcom-China/Local%20Assets/Documents/Industries/Consumer%20business%20and%20transportation/cn_cbt_ChinaPowersRetailing2011_181011.pdf), accessed 1.2.14

Fastoso, F., & Whitelock, J. (2007). International advertising strategy: the standardization question in manager studies. *International Marketing Review*, 24 (5), 591-605.

Fernie, J., Moore, C.M., Lawrie, A., & Hallsworth, A. (1997). The internationalization of the high fashion brand: The case of central London. *Journal of Product & Brand Management*, 6 (3), 151-162.

Goldman, A. (2001). The transfer of retail formats into developing economies: The example of China. *Journal of Retailing*, 77, 221-242.

Guba, E. G., & Y. S. Lincoln (1994). Competing Paradigms in Qualitative Research, cited in: Denzin N. K. & Lincoln, Y. S. (2005) *Handbook of Qualitative Research* 3rd ed. (pp.105-117), Thousand Oaks, CA., Sage.

Husic, M., & Cicic, M. (2009). Luxury consumption factors. *Journal of Fashion Marketing and Management*, 13 (2), 231-245.

Kapferer, J-N. (2014). The artification of luxury: from artisans to artists. *Business Horizons*. 57, 371-380.

Kapferer, J-N., & Bastein, V. (2009). The specificity of luxury management: Turning marketing upside down. *Journal of Brand Management*, 16 (5/6), 311-322.

Ko, E., & Megehee, C.M. (2012). Fashion marketing of luxury brands: Recent research issues and contributions. *Journal of Business Research*, 65 (10), 1395-1398.

Lu, X. (2010a). An analysis of the situation in high-end retail and development strategy for luxury brands in China. *Trade & Economy*, 3, 47-53.

Lu, X. (2010b). Luxury consumer behavior in mainland China: What exists behind the facade of New Wealth? *The European Business Review*, Sep./Oct, 53-56.

Lu, X. (2011). Termination of the war of strong luxury brands in China affluent consumer market, *Harvard Business Review*, Luxury Special Section, 53-58.

Lu, X. (2012). Market entry strategies of international luxury brands in China. *Finance & Trade Economics*, 8, 105-112.

Lu, X., & Pras, B. (2011). Profiling mass affluent luxury goods consumers in China: A psychographic approach. *Thunderbird International Business Review*, 53 (4), 435-456.

McKinsey (2012). Luxury Without Borders: China's new class of shoppers take on the world. Retrieved from: <http://solutions.mckinsey.com/insightschina>, accessed 1.2.14

Miles, M.B., & Huberman, A.M. (1994). *Qualitative data analysis: an expanded sourcebook*, Thousand Oaks, Sage.

Mintel (2011). Luxury goods retailing – global, London, Mintel.

Mintel (2012). Luxury goods retailing – international, London, Mintel.

Moore, C.M. (1998). La mode sans frontières – the internationalisation of fashion retailing. *Journal of Fashion Marketing and Management*, 1 (4), 345-356.

Moore, C., Fernie, J. & Burt, S. (2000). Brands without boundaries – The internationalisation of the designer retailer's brand. *European Journal of Marketing*, 34 (8), 919-937.

- Moore, C.M., & Birtwistle, G. (2004). The Burberry business model: Creating an international luxury fashion brand. *International Journal of Retail & Distribution Management*, 32 (8), 412-422.
- Moore, C.M., & Birtwistle, G. (2005). The nature of parenting advantage in luxury fashion retailing - the case of Gucci group NV. *International Journal of Retail & Distribution Management*, 33 (4), 256-270.
- Moore, C.M., & Doherty, A.M. (2007). The international flagship stores of luxury fashion retailers. In Hines, T., & M. Bruce (Eds.), *Fashion Marketing: Contemporary Issues*. (pp.277-298), Oxford, Butterworth-Heinemann.
- Moore, C.M., & Doyle, S.A. (2010). The evolution of a luxury brand: the case of Prada. *International Journal of Retail & Distribution Management*, 38 (11/12), 915-927.
- O'Grady, S., & Lane, H.W. (1996). The psychic distance paradox. *Journal of International Business Studies*, 27 (2), 309-333.
- Park, H., Rabolt, N.J., & Jeon, K.S. (2008). Purchasing global luxury brands among young Korean consumers. *Journal of Fashion Marketing and Management*, 12 (2), 244-259.
- Pauwels, K., Erguncu, S., & Yildirim, G. (2013). Winning hearts, minds and sales: How marketing communication enters the purchase process in emerging and mature markets. *International Journal of Research in Marketing*, 30 (1), 57-68.
- Red Luxury (2012). China's boredom with bling? Retrieved at: <http://red-luxury.com/brands-retail/chinas-boredom-with-bling>, accessed 1.2.14

Salmon, W.J., & Tordjman, A. (1989). The internationalisation of retailing. *International Journal of Retail & Distribution Management*, 4 (2), 3-16.

Shukla, P., & Purani, K. (2012). Comparing the importance of luxury value perceptions in cross-national contexts. *Journal of Business Research*, 65 (10), 14-17.

Vickers, J.S., & Renand, F. (2003). The marketing of luxury goods: An exploratory study - three conceptual dimensions. *The Marketing Review*, 3 (4), 459-478.

Zhan, L., & He, Y. (2012). Understanding luxury consumption in China: consumer perceptions of best known brands. *Journal of Business Research*, 65 (10), 1452-1460.

**Table 1: Sample breakdown**

<b>Company</b>	<b>Country of origin</b>	<b>Year and city of entry into China</b>	<b>Respondent(s)</b>
1. (Leather goods & accessories)	France	1992 (Beijing)	Vice President Head of International Marketing
2. (RTW)	France	2006 (Shanghai)	Head of Franchising & Licensing
3. (RTW & couture)	France	2005 (Beijing)	Marketing Director (Hong Kong) International Marketing Manager
4. (RTW)	Italy	2004 (Hangzhou)	Brand Manager (Greater China Region)
5. (3 key brands of conglomerate: jewelry, watches & menswear <sup>1</sup> )	Switzerland	1993 (Beijing)	Regional President of the Group (Asia) International Marketing Director Marketing Manager, China
6. (RTW)	UK	2004 (Shanghai)	Head of Marketing Strategy & Media
7. (Costume jewelry)	UK	2002 (Shanghai)	President, China
8. (Heritage, RTW)	UK	1999 (Shanghai)	Head of Wholesale
9. (RTW)	UK	1997 (Shanghai)	Head of Licensing
10. (Men's bespoke & RTW)	UK	1992 (Beijing)	CEO Managing Director
11. (RTW)	France	2004 (Shanghai)	CEO Director of International Marketing
12. (Heritage leather goods)	France	1997 (Beijing)	Commercial Area Manager, China
13. (Jewelry)	US	2001 (Shanghai)	Marketing Manager (Greater China Region)

<sup>1</sup> Company 5 is comprised of three interviewees within the same conglomerate, who requested the researcher to group their data together.

14. (Leather goods & accessories)	US	2003 (Shanghai)	Head of International Public Relations
15. (RTW)	Germany	1999 (Shanghai)	President, Greater China Region Director (Accessories)
16. (Leather goods & RTW)	Italy	1999 (Shanghai)	Regional Marketing Director (Asia Pacific)
17. (Men's bespoke)	UK	2008 (Beijing)	Director/Owner
18. (RTW)	Italy	1997 (Beijing)	International Group Marketing Director
19. (RTW)	Italy	2009 (Beijing)	CEO
20. (Footwear)	UK	2009 (Beijing)	Brand Manager (Greater China Region)

**Table 2: Categorization of Luxury Marketing Strategies in China**

Tier of cities	Luxury Strategy
<p>1<sup>st</sup> tier</p> <p>Top 1<sup>st</sup> tier (Shanghai &amp; Beijing)</p> <p>Guangzhou &amp; Shenzhen</p>	<ul style="list-style-type: none"> <li>- Sizable flagship stores that showcase the brand image well</li> <li>- Entrepreneurial marketing communication strategies that focused upon brand education and the company's ability to innovate are especially in Shanghai &amp; Beijing</li> <li>- Regard brand development the same level as mature markets and incorporate these cities into the brand's long term management (e.g. conduct innovative communication strategies in China that benefits international audience)</li> </ul>
<p>2<sup>nd</sup> tier</p> <p>Prominent 2<sup>nd</sup> tier cities (e.g. Hangzhou, Chengdu)</p> <p>Other 2<sup>nd</sup> tier cities</p>	<ul style="list-style-type: none"> <li>- Regional flagship stores (e.g. Chengdu in the fastest growing South West region)</li> <li>- Heavy marketing but the traditional strategies are still reliable (e.g. store events and celebrity endorsement)</li> </ul>
<p>3<sup>rd</sup> tier</p>	<ul style="list-style-type: none"> <li>- Unsuitable for brands at top position</li> <li>- May not be suitable for certain brands</li> <li>- Still at the beginning of emerging</li> </ul>

**Figure 1: Luxury fashion retailers' international strategy in China**

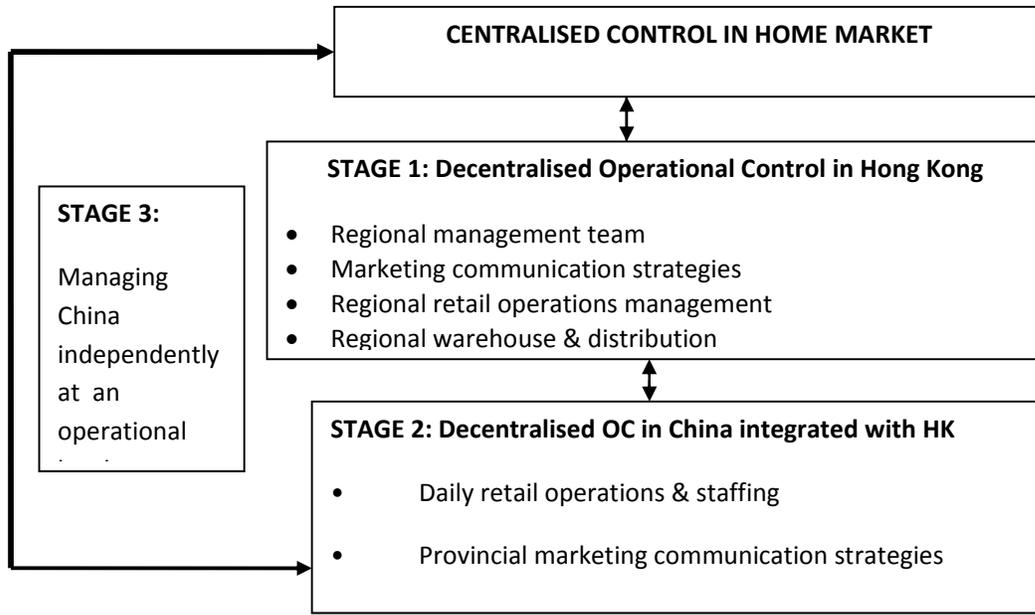


Figure 2. Flagship stores as a key strategy for luxury fashion brand success in China

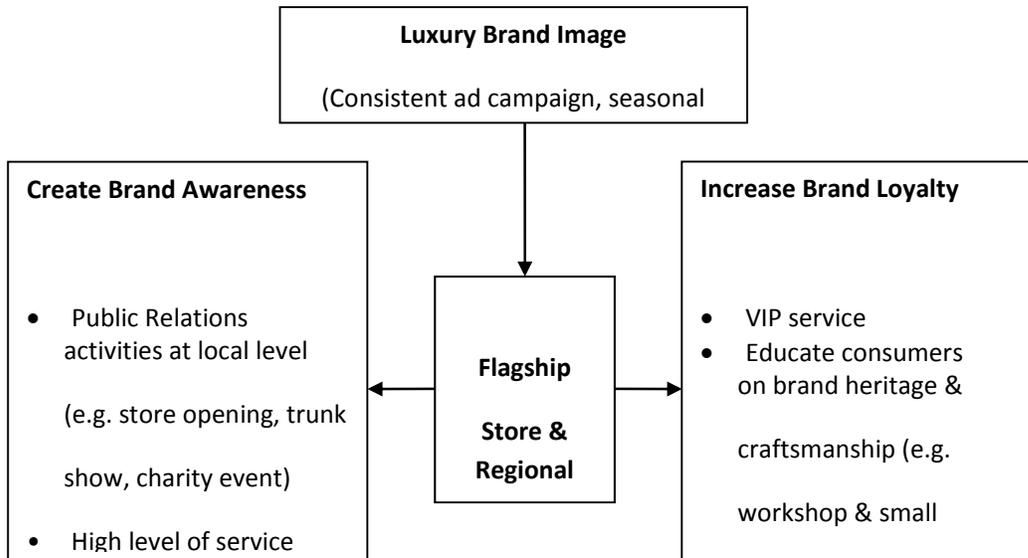


Figure 3: Key marketing strategies of foreign luxury fashion retailers in China

