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The Internationalisation of Foreign Fashion Retailers into the UK
-   Identifying the Motives, Methods and Operational Challenges

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ABSTRACT

Fashion companies consistently prove to be the most prolific and successful of the international retailers. Success is attributed to small format size, single brand emphasis and economies of format replication. These factors contain the costs, and risks, of foreign market expansion. Evidence from the British fashion market attests to the aggressive expansion policies of foreign fashion retailers who, in the past decade, have disrupted the competitive equilibrium of the UK market. This study examines the motives, methods and management challenges that foreign fashion retailers face, and adopt, as they establish operations within the UK.

Drawing from the wider international business and international retailing literature, seven research propositions direct the first, positivist research stage. Via a mail survey, sent to all foreign fashion retailers with stores in the UK, the study identifies that these are proactive internationalists, drawn to the UK to exploit the opportunities afforded from niche markets and brands with significant consumer appeal. The research also notes specific differences between designer, specialist and general fashion retailers in terms of motivations, entry methods, operating strategies, critical success factors and the problems they encounter.

The second phase of the research is interpretivist in nature and examines the actual process of internationalising fashion retail operations within the UK from the perspective of seven case companies. The study concludes that the foreign entrants remain within the British market for reasons of exceptional profitability, reputation and consumer and competitor intelligence. The central contribution of the study resides in the identification and analysis of the facets integral to the actual process of successfully internationalising fashion retail operations; notably the incremental development of effective central and local management structures, the clear demarcation of management decision-making responsibility, and the staged development of product ranging and development, brand positioning and distribution planning policies.

DECLARATION OF AUTHENTITICTY

This thesis is submitted in fulfilment of the requirements of the Degree of Doctor of Philosophy (by research) at the University of Stirling.

I declare that this document embodies the results of my own work and that it is composed by myself and has not been included in another thesis. Following normal academic conventions, I have made due acknowledgement of the work of others.

Christopher M Moore
June 7th 2001.

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CHAPTER ONE

INTRODUCTION TO THE THESIS

Chapter Summary

The chapter commences by outlining the focus of this thesis and provides the justification for the study. The research aim and objectives are stated and the research methodology is explained and justified. It concludes by providing a review of the structure of the thesis.

1.1 FOCUS AND JUSTIFICATION FOR THE STUDY.

Traditionally, retailing has been regarded as an essentially localised, culture-bound activity, characterised by relatively small scale operations located within single markets (McGoldrick and Davies, 1995), and while it is indeed the case that for the vast majority of retailers operational activity is confined to their domestic market, it is certainly not the case for all. Expansion into foreign markets by retailers is not a new phenomena, as Hollander, (1970) identified, however, in the past twenty to thirty years, the international expansion of retailers from Northern Europe, the USA and Japan, in particular, has increased dramatically (Kacker, 1985; Treadgold, 1991; Sternquist, 1998; Wrigley, 1998a, 1998b). Indeed, retailers are now identified as being among the world's largest and most powerful companies, rivalling manufacturers in terms of their foreign market coverage and foreign-market derived turnover (Helfferich, Hinfelaar and Kasper, 1997).

Paralleling this expansion in foreign market activity by retailers has been the significant increase in academic interest in this field, (McGoldrick and Davies, 1995; Alexander, 1997, Dawson, 2000). Emanating from this interest, an identifiable body of knowledge has emerged which contains a number of themes which have been identified by Doherty (2000) as pertaining to the scale and scope of retailer internationalisation, (Brown and Burt, 1992); the motivations and methods of international expansion, (Alexander, 1990; Williams, 1992; Dawson, 1994;

Sparks, 1996), and the direction of foreign market entry (Burt, 1993; Davies and Fergusson, 1995). Furthermore, a number of studies have considered the foreign market expansion of a number of specific retailers, (Treadgold, 1991; Johnson and Allen, 1994; Moore, 1998).

Despite the advances related to the subject of retailer internationalisation, dissatisfaction has been expressed that previous studies have been deficient by virtue of their lack of a credible empirical and conceptual underpinning, (Akehurst and Alexander, 1996; Sternquist, 1997; Doherty, 1999; 2000). Consequently, there have been calls for more in-depth appraisals of the actual activities and experiences of the internationalising retailers; so as to support the further development of the subject (Brown and Burt, 1992; Burt, 1993; Reynolds, 1994; Sparks, 1996; Alexander, 1997; Quinn, 1998, 1999).

Yet while both the advances and deficiencies in the knowledge concerning retailer internationalisation have been identified, it has also been noted that the representation of fashion retailers within the literature is severely limited. Other than a few accounts of the international experiences of specific fashion companies, such as Hennes and Mauritz of Sweden and Louis Vuitton Malletier of Paris, (Lualaujainen, 1991; 1992), the British retailers Laura Ashley, (Treadgold, 1991), Adams Childrenswear, (Johnson and Allen, 1994) and the French fashion retailers, Kookai and Morgan, (Moore, 1998), there is a dearth of understanding with respect to the foreign market activities of fashion retailers. This research neglect is somewhat anomalous for a number of reasons, not least for the fact that fashion retailers have consistently proved to be the most prolific and are arguably the most successful of the international retailers (Hollander, 1970; Fernie, et al, 1997; 1998; Doherty, 2000). Indeed, Doherty (2000) found that the number of fashion retail companies operating in foreign markets far out-numbers those of any other retail sector.

Dawson (1994) attributed their international success to their small format size, single brand format, and the scale economies inherent to their format replication. Evidence from the British fashion market in particular, attests to the aggressive international expansion policies of fashion retailers, especially those originating from the USA and Europe, who have very quickly secured significant market share and disrupted the competitive equilibrium within the British market (Corporate Intelligence on Retailing, 1997; Verdict, 2000).

Therefore, in view of this research neglect, there have been an increasing number of calls for researchers to consider the international activities of fashion retailers so as to assist empirical understanding and conceptual development within this key area of retailer internationalisation (Fernie, et al, 1997; 1998; Doherty, 1999; 2000).

Dawson, (1994) suggested that the internationalisation of retailing takes a variety of forms, ranging from the sourcing of products, trading ideas, management personnel, management systems and financial investment, from foreign markets. The most visible manifestation of retailer internationalisation, according to Dawson, is that of the operation of stores within foreign markets either by the retailers themselves, or through the co-operation of some intermediary. The analysis of the methods by which these operate stores abroad provides the opportunity to reflect upon the internal dynamics of international business management, the nature of the international supply chain, as well as issues surrounding the management of retailer-customer relations within an alien culture. Despite Dawson's (1994) focus upon the nature of international retail operations management, very little consideration has been given within the literature to the <u>actual processes</u> inherent to the internationalisation of retail operations. Furthermore, no study appears to have considered the internationalisation of fashion retail operations at all.

These dimensions provide a clear justification for this study which seeks to explore the internationalisation activities of fashion retailers, and to investigate, in particular, the processes by which fashion retailers internationalise their operations within the British market.

As such, in broad terms, the justification for the study relates to its contribution to knowledge by undertaking an empirical investigation of the most prolific of the international retailers (i.e. fashion companies), in terms of their most visible and complex form of international involvement (i.e. store operations), specifically in terms of the actual processes inherent to internationalising retail operations, within a market that has encountered unprecedented foreign fashion retailer participation, (i.e. the British market).

1.2 RESEARCH AIMS AND OBJECTIVES

Information and understanding with regards to the international activities of fashion retailers in general and specifically within the British market is perfunctory and incomplete. Therefore, a two-stage research design is required. The aim of the first stage is to examine the nature and characteristics of foreign fashion retailers' participation within all of their foreign trading markets and within the British market especially. The purpose of the first research stage is to provide a macro level account of the international activities of fashion retailers which can subsequently provide a context and direction for the second empirical research phase.

The focus of the first research phase, derived from the key themes and issues identified in the international retailing literature, is concerned with the foreign market experience of fashion retailers in terms of :-

- the nature and characteristics of their involvement within the UK and other markets;
- their motives for entry into the UK and other foreign markets;
- the direction of their international expansion;

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- the methods of foreign market entry that they deploy;

- the nature of their internationalisation strategies;

- the factors critical to success within the British market;

- the problems associated with operating outlets within the British market.

From the broad perceptive on the nature of the fashion retailers' international involvement provided by the first research phase, the second phase focuses specifically upon the <u>actual process of internationalising operations</u> by foreign fashion retailers into the British market. The exclusive focus upon the British market is justified on three counts. Firstly, the UK fashion market has the largest number of foreign retailer entrants than any other European market (Corporate Intelligence on Retailing, 1997). Secondly, the impact of these retailers upon the competitive nature of the market, as measured by their level of market share, command of customer loyalty and effect upon the performance and business strategies of indigenous retailers, has been considerable (Fernie et al, 1998; Jones, 2000; Verdict, 2000). Finally, no previous academic study has undertaken an in-depth investigation of the activities of foreign entrants within the British fashion sector.

Essential to this research stage is the need to identify the dimensions and activities that is core to that process. Recognising that the nature of these management processes and management decision-making is varied and complex, it is clear that the setting of specific objectives for the second research phase may inhibit and obstruct the study. Nevertheless, the need to identify at least broad research parameters is also apparent so as to adequately direct the study, secure the co-operation of the research participants and provide them with guidance on the areas to be included in the study. The resultant research parameters include an examination of the: -

- nature of management structures within the home and British markets;

- demarcation of decision-making power between the home and British market;

- processes of brand positioning within the British market;

- methods of merchandise allocation and product development adopted in the UK;

- processes of distribution planning adopted in the British market.

Of these, the first is concerned with how the management of operations is organised and structured, and the ways in which these structures alter in response to changing market conditions and opportunities, while the second considers the demarcation of decision-making power between foreign central and British management and the tensions that this provokes.

Following from the work of Simpson and Thorpe, (1996) and Lea-Greenwood, (1997), who identified the process of brand positioning as the crucial element of fashion internationalisation, the third dimension is concerned with the means by which a foreign retailer's brand is introduced and developed within the highly brand sensitive British market. The fourth dimension focuses upon the methods by which merchandise is allocated to the foreign market, and the way in which products are developed in order to satisfy the needs of diverse markets.

Finally, the case companies' approaches to distribution planning is considered, principally in terms of identifying and examining the configuration of UK point of sale networks, their management of the physical distribution of stock, and the issues surrounding the distribution of licensed products within the UK.

1.3   RESEARCH DESIGN AND METHODOLOGY.

As has been indicated, the empirical study is in two-phases. The first phase adopts a positivist research approach in the form of a postal questionnaire sent to every foreign fashion retailer that operated at least one store within the UK on 1st February 1998. The second phase is

framed within the 'interpretivist school', and employs qualitative research techniques, in the form of an interpretivist study of seven case companies. A clear debate is evident within the literature as to whether it is possible to utilise quantitative and qualitative data collection methods within one discrete study, not least because these are founded upon paradigms, (i.e. the positivist and the interpretivist, respectively), that are intellectual opposite and ultimately incompatible (Hughes and Sharrock, 1997; Denzin and Lincoln, 2000). A school of thought exists which suggests that the differing epistemological and ontological assumptions concerning the nature of society and the origin of knowledge render these mutually exclusive and irreconcilable within one particular research design (Laing, 1967; Hughes and Sharrock, 1997).

As a counter-balance to this purist perspective, the adoption of a pluralist methodological approach is well supported in the literature, not least for the fact that the combination of ideographic and nomothetic research methodologies can provide a range and depth of understanding not possible through the use of one method alone. This dual adoption, it is contended, serves to provide varying types of relevant and complementing data, which help to limit the possibility of bias that may arise from a single method research design (Jick, 1979, Burrell and Morgan, 1979, Moran, 1987; Robson, 1993; Gill and Johnson, 1991).

Furthermore, there is evidence from the literature that the sequential use of methodologies provides for a coherent research design whereby the results obtained from the use of one methodology serve to direct and inform the focus of the second. In particular, it has been suggested that this approach is particularly appropriate for research situations whereby there is little previous empirical evidence to support initial research development (Bryman, 1988; Marshall and Rossman, 1995). And while the most commonly adopted sequence is to move from quantitative to qualitative methods, the value of obtaining a macro-level account of a particular activity through quantitative methods prior to the in-depth investigation of the

subject utilising qualitative means is supported in the literature (Ryan and Russel-Bernard, 2000; Janesick, 2000).

Within the context of this study, given that information relevant to the nature and activities of foreign fashion retailers within the British and other foreign markets was inadequate and incomplete, the adoption of a quantitative method in the first research stage provided a macro level account of these companies, and offered a direction for the in-depth investigation of their activities using qualitative research methods.

1.4   STRUCTURE OF THE THESIS

The thesis is structured over nine chapters, and this structure reflects the evolving nature of the study. This first chapter provides an introduction and justification for the study, identifies the aims and objectives and considers the methodological approach adopted. It concludes with this review of the structure of the thesis.

Chapter Two introduces and reviews the international retailing literature. Drawing from Akehurst and Alexander's (1996) proposed research agenda, this chapter considers the "what, who, where and when" questions of retailer internationalisation. As such, definitions of international retailing are first explored, followed by an examination of the nature and characteristics of the international retailers, the direction of their foreign market expansion, and the conditions which facilitate this form of business growth.

Chapter Three considers the "why and how" questions relevant to retailer internationalisation, specifically in terms of the motives which encourage foreign market participation and the strategies that internationalising retailers typically adopt as they establish operations overseas.

Chapter Four presents a review of the literature in respect of each of the six dimensions of retailer internationalisation within the context of the foreign market expansion of fashion firms. The chapter concludes by identifying the research propositions, derived from the literature, which direct the first research phase.

Chapter Five provides details of the research design and data collection methods used in the first research stage of this study. From providing an explanation and justification for the adoption of a quantitative research position, the chapter delineates the sampling, operationalisation and data analysis issues associated with satisfying the identified research propositions.

Chapter Six presents the findings of the first research of the empirical study. From a descriptive analysis of the nature and characteristics of the international activities of the responding companies, the chapter proceeds to report further in-depth analysis, and concludes by summarising the implications of the research results.

Chapter Seven provides a review and justification for the qualitative methodology adopted in the second research stage. It explains the rationale for the adoption of an interpretivist research approach in the form of 'company case-studies' and considers the issues associated with its operationalisation, interpretation and analysis.

Chapter Eight presents the findings from the second research phase. The chapter begins with a consideration of the significance of the UK market to the case study companies. The key dimensions of the process of internationalising fashion retail operations are then identified in terms of management structures, the management of decision-making, product ranging and development, brand positioning and distribution planning. These five dimensions are discussed within the context of internationalising retail operations within the British market. The Chapter concludes by summarising the key findings of the qualitative research phase.

Chapter Nine presents the overall conclusions of the study. It then evaluates the findings of the two research stages by drawing upon appropriate literature to do so. The limitations of the study are then considered, followed by a reflection on the contribution and implications of the research. Finally, areas for future research development are identified and explored.

Chapter Two, which follows, introduces the literature relevant to the internationalisation of retailing.

CHAPTER TWO

REVIEW OF THE LITERATURE ON INTERNATIONAL RETAILING

Chapter Summary

This chapter provides an introduction to the literature related to the internationalisation of retailing. It begins by examining definitions of retailer internationalisation and attempts to identify the types of retailer likely to become involved in foreign market trading. After a consideration of the studies related to the direction of international expansion, the chapter concludes with a review of the factors likely to influence the timing of a retailer's decision to enter foreign markets.

2.1. INTRODUCTION

Research interest has grown significantly in the past decade in the area of retailer internationalisation and while many have highlighted the growth in research interest, (Treadgold, 1990; Alexander, 1995; McGoldrick, 1995, Fernie, 1995, Dawson, 2000), fewer have provided an explanation or justification for this growth. Of those explanations offered, the most common suggests that the growth in international retailing research mirrors the increasing significance of internationalisation to the trading activities of retail companies, (Duke, 1993; Helfferick, Hinfelaar and Kasper, 1997), as evidenced in the number of retailers opening outlets within foreign markets. This justification is contested by others, such as McGoldrick (1995), who argues that international retailing is still the "minority activity for the majority of retailers" and that any justification of studies in this area must relate to the fact that we are witnessing only the earliest stages of movement towards the internationalisation of retailing. Others have provided broader justifications for this area of research, and suggest that a focus upon the issues surrounding retailer internationalisation provides for a deeper understanding of retailers' strategies for strategic management and growth (Pellegrini, 1994); highlights the pan-national differences and convergence in consumer behaviour (Tordjman, 1994) and offers an added dimension to our understanding of the nature and characteristics of retailer decision-

making (Burt, 1991; Dawson, 1994, Clarke and Rimmer, 1997). From another perspective, Burt (1995) has suggested that the wider availability of information and databases related to retail internationalisation has served to facilitate the subsequent increase in research attention.

Yet while there has been considerable growth in the literature concerned with retail internationalisation, there has been much criticism of its current state of development (Doherty, 2000). The criticism surrounding the literature generally takes two forms. The first relates to that of omission, whereby writers have taken as their point of departure, and made the focus of their research, areas of retail internationalisation that have been ignored. For example, McGoldrick & Fryer, (1993) were among the first to assess the importance of organisational culture upon retailers' international activities, while the under-developed area of international retailer logistics was considered by Fernie, (1995), and Davies and Fergusson, (1996) advocated a fuller review of the internationalisation activities of Japanese retailers.

The second form of criticism is arguably of a more philosophical nature and refers to a lack of a credible conceptual and empirical foundation within the literature. Brown and Burt (1992) have argued that the literature has failed to address or provide any clear understanding of the defining characteristics of retailer internationalisation, while Williams (1991) highlighted the inadequacies of previous studies for reasons of their lack of an empirical underpinning. As a result, it has been suggested that little is actually known, far less understood, of the actual process of retailer internationalisation activity (Clarke and Rimmer, 1997). The attempt to provide even a definition of retail internationalisation has also proved problematic (Pellegrini 1994), largely because of the complexity and multi-faceted nature of retailers' foreign market activities. This intellectual impotency in relation to our understanding of the complexities of retailer internationalisation has resulted, according to Sparks (1996) in " a crisis of confidence" in our ability to conceptualise the issue. As a result of the adoption of potentially inappropriate

conceptual frameworks from other sectors, and the resultant development of theories that do

not fully reflect the complexity or variation that exists in retailer internationalisation, the tenor

of the contemporary literature calls for a refocusing upon what is exactly meant by 'retailer

internationalisation', (Brown & Burt, 1992; Dawson, 1994; Pellegrini, 1994; Sparks, 1996;

Alexander,1995; Quinn, 1998), and particularly towards an understanding of the processes of

retail internationalisation, (Whitehead, 1992; Sparks, 1996), especially at company level.

Recognising both the importance of retail internationalisation as an area of academic research

as well as the inherent difficulties and frustrations connected with the study of this area,

Akehurst & Alexander (1996) have identified a range of questions which may assist future

studies of retailer internationalisation. An adapted version of their proposal is provided in

Table 2.1

Six questions of retailer internationalisation	Key issues to be addressed
What is the internationalisation of retailing ?	Development of a definition
Who are internationalising ?	Identification of the key determinants which identify categories of international retailer
Why are retailers internationalising ?	Examination of the motivations for internationalisation
Where are retailers developing international operations?	Identification of the direction of international expansion
How are retailers developing international operations ?	Examination of the methods of foreign market entry
When does internationalisation occur ?	Examination of the conditions in which internationalisation occurs

Table 2.1 : Future agenda for the study of the Internationalisation of Retailing. Source : Adapted from Akehurst & Alexander (1996).

The research questions provided by Akehurst and Alexander (1996), echo those which have

proved to be central to the broader studies of the internationalisation of the firm, principally

those related to the 'why/where/how/when' of foreign market expansion (Casson, 1987; Taylor and Thrift, 1982; Lualajainen, 1991). The six dimensions of retailer internationalisation identified in Table 2.1 will be used to provide a direction for the remainder of this and the following chapters. However, in order to provide a more coherent structure to the discussion, the sequence of the questions presented in Table 2.1 will be altered. The remainder of this chapter will consider the nature, identify the participants, and reflect upon the timing and direction of retailer internationalisation. The following chapter will then examine the motives and processes involved in retailer internationalisation; in effect the "why and how" questions, lying at the heart of the processes of retailer internationalisation .

2.2 WHAT IS THE INTERNATIONALISATION OF RETAILING ?

Since the early 1990's, efforts have been made to provide clear definitions of what is meant by retailer internationalisation. The need for a definition to provide for an understanding of what is actually meant by the internationalisation of retailing is an obvious starting point for this study. Brown & Burt (1992) maintained the need to identify what it is that retailers actually internationalise, "Is it management expertise and management systems? Innovative forms of trading? or unique retail brands ?" Without this clarification, they argue, it is impossible to adequately determine whether the international experience of retailers are similar to those of other sectors or whether these are in some way unique.

2.2.1   Definitions from the Business Studies Literature.

In his seminal work on the internationalisation of retailing, Hollander (1970) defined multinational retailers as "those firms that are in some way responsive to headquarters located outside the country, or the colony, in which the retail sales are made"(p 10). And while in subsequent studies a variety of terms, such as global, multinational and international have been

used, (Helfferick, Hinfelaar and Kasper, 1997), it was not really until the work of Dawson, (1994), that any further attempt was made to provide a comprehensive and satisfactory definition of retailer internationalisation.

Prior to this, researchers had tended to draw upon the definitions provided within the business studies, export and international marketing literature (Sparks, 1996). But even within this literature, there appears to be no clear consensus on a definition of business internationalisation. Indeed, this lack of clarity has been identified as defining and constant feature of the internationalisation literature (McAuley, 1993).

Among the most significant contributors to the study of business internationalisation have been academics from the 'Swedish school', who have been credited for establishing internationalisation as a legitimate area of business research (Buckley and Ghauri, 1993). Among the most influential contributors to this burgeoning research area were Johanson & Wiedersheim-Paul (1975) who from their studies of the international expansion principally of Swedish manufacturers, suggested that the term 'international' defined something of the business orientation, management character and attitude of a firm, and declared that business internationalisation was essentially an incremental process which began with the exporting of goods to foreign markets, and came to fruition when the firm established manufacturing sites in the foreign market so as to satisfy local demand. Likewise, Johanson and Vahlne (1977) stated that the internationalisation of business was essentially concerned with the incremental movement and extension of production, sales and distribution capability from the home to some foreign market.

The primary interpretation of business internationalisation within this literature has been to see it as an incremental process through which a manufacturer increases their involvement in a

foreign market through indirect forms of investment, culminating in the establishment of a subsidiary company responsible for sales and manufacturing in the foreign market (Cavusgil, 1982; Beamish, 1990).

Attributed largely to the early influence of the Swedish school, the majority of the literature on internationalisation, international marketing and export studies has focused almost exclusively upon the international experience of manufacturers (Gronroos, 1999). Consequently, an emphasis upon the cross-border transfer of physical assets and production capacity predominates within this literature, and is tacitly presented as the only conceivable manifestation of business internationalisation (Dahringer, 1991; Clark, Rajaratnam and Smith, 1996).

In the past decade, researchers working in the area of services marketing, and in particular the internationalisation of service provision, have challenged these interpretations. Identifying the importance of international service provision as measured by the numbers employed and volume of income generated, researchers have identified a number of unique features which distinguish service internationalisation from the internationalisation of manufacturing. Unlike physical, tangible products, services are typically regarded as performances or experiences, which are largely intangible and inseparable from the method of production, and are perishable and essentially heterogeneous. Furthermore, while the manufacturing firm's involvement in a foreign market may advance incrementally, for service providers, full market involvement is typically required immediately (Dahringer, 1991; Katrishen and Scordis, 1998).

Consequently, there have been calls for an understanding of business internationalisation which also recognises the invisible dimensions of foreign market participation, such as the transfer of business know-how and management experience, marketing skills, technology capability and

other forms of professional service from one country to another (Clark, Rajaratnam and Smith, 1996; Knight, 1999). Furthermore, with the advent of the internet, researchers in this area have argued that a company can be considered international without their having any physical representation or any form of financial investment within a foreign market (Winstead and Patterson, 1998).

Knight, (1999) and Gronroos, (1999) suggest that Clarke et al, (1996) have provided the accepted definition of the internationalisation of services which states that it is concerned with "deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures"(p.15). In view of the increased penetration of international activity by service providers globally, there have been calls in the literature for a revision to the established criteria for measuring the extent to which a business can be deemed to be international, which removes the singular emphasis upon the nature and extent of the firm's direct investments and production capability within a foreign market, and instead considers the proportion of their revenue which is generated from non-domestic markets (Palmer and Cole, 1995; Bradley, 1995).

Drawing from the perspectives offered by the 'International School', with their emphasis upon the foreign market experience of manufacturers, (Dunning, 1981), and from the services marketing literature, a broad definition of internationalisation is provided here which recognises:-

- the cross-border transfer of tangible and intangible assets and capabilities;

- the process of extending into a foreign market may occur immediately or incrementally;

- the physical presence of the company, such as in the form of a sales / production subsidiary is common but increasingly no longer a defining feature.

2.2.2 Definitions of Retailer Internationalisation.

In a review of the conceptual frameworks and definitions that have been applied to the internationalisation of retailing, Sparks (1996) questions whether definitions borrowed from the manufacturing sector can be meaningfully extended and applied to retailer internationalisation since these do not readily accommodate the scope, extent and complexity inherent to that process. As such, retailer internationalisation must be seen to be different from the establishment of a production unit within a foreign country. In a similar vein, it is Dawson's (1994) argument that :-

"The balance between centralised and decentralised decision-making, the relative importance of organisation and establishment scale economies, the degree of spatial dispersion in the mutli-establishment enterprise, the relative size of establishment to the size of the firm, the relative exit costs if decisions are reversed, the speed with which an income stream can be generated after an investment decision has been made, different cash flow characteristics, the relative value of stock and hence importance of sourcing; all these items and others, serve to differentiate the manufacturing firm and the retail firm not least in respect of the internationalisation process" (p270)

It is therefore Spark's contention that the internationalisation of retailing is "radically different" and as such, new methods must be found to explain retail internationalisation. In order to provide a clearer understanding of retailer internationalisation, Dawson (1994) indicated that the international activities of retailers are apparent in three ways: - through the international sourcing of products, the operation of shops in more than one country as well as the transfer of management ideas from one country to another. Other dimensions are included in Dawson's review of retailers' international involvement and these are made explicit by Sparks (1996) and presented in Table 2 2.

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┌─────────────────────────────────────────────────────────────────────┐
│ Understanding Retail Internationalisation                           │
│                                                                     │
│ A : Dimensions of Retail Internationalisation                       │
│        A1:     Financial Investment                                 │
│        A2:     Cross-Border Shopping                                │
│        A3:     Managerial Movements                                 │
│        A4:     Retail Activities                                    │
│                                                                     │
│ B :    International Sourcing                                        │
│        B1:     Buyer Decisions                                      │
│        B2:     International Sourcing Organisation                  │
│        B3:     Technology                                           │
│        B4:     Buying Groups and Alliances                          │
│        B5:     Non-Retail-Product Sourcing                         │
│                                                                     │
│ C :    International Retail Operations                               │
│        C1:     Reasons                                             │
│        C2:     Dimensions                                          │
│        C3:     Extent and Directions                               │
│                                                                     │
│ D:     Internationalisation of Management Ideas                     │
│        D1:     Transferability of Retail Concepts                  │
│        D2:     Expertise Transferred                               │
│        D3:     Mechanisms of Transfer                              │
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Table 2.2 : Understanding Retail Internationalisation. Source : Sparks (1996).

While internationalisation of retailing has typically been associated with store openings, (Sparks 1996, Alexander 1997), the review of international activity provided by Dawson (1994) served to underline the breadth and diversity of foreign market involvement undertaken by retailers. Of these, the internationalisation of financial investment is perhaps the least apparent facet of retail internationalisation, but especially as the result of the investments made by pension funds and insurance companies from different countries, the ownership status of some large retail businesses has become international.

Other inconspicuous dimensions of retailer internationalisation include cross-border shopping, which is often motivated by the consumer's desire to acquire goods from an adjacent country that are perhaps scare or more expensive within the home market (for example the movement

of day-shoppers from the UK to France in the search for less expensive wines). The international recruitment of senior management from retail companies from one country to another facilitates the international movement of retailing expertise and innovation (Dawson 1994). Sparks (1996) suggested that these financial, consumer and managerial dimensions can occur regardless of whether the retailer has elected to open an outlet within a foreign country, and that these "less tangible or indirect....dimensions form a backcloth to any decision to internationalise stores, and may be the only, or prerequisite international activity in some cases" (p 64).

2.2.2.(i)The Internationalisation of Sourcing.

Of the dimensions identified in Table 2.2, international sourcing is the most common form of retailer internationalisation, (Sparks 1996) and it is one aspect of internationalisation that shows little sign of abatement as retailers seek to source cheaper, but better value, products from abroad so as to satisfy the increasingly cosmopolitan demands of their customers through the availability of a range of goods from a variety of different countries. As well as the desire to satisfy the demands of domestic customers, the international opening of retail outlets has encouraged many retailers operating within foreign markets to develop local sources to satisfy demand within the foreign and home market. For example, Kaynak (1988) reported that the American retailer, Sears, sourced products locally as part of their internationalisation policy. These initiatives are often motivated by the desire to gain cost-savings on the unit production cost of merchandise, as well as to avoid the costs associated with long-distance transportation and import taxation (Liu & McGoldrick 1995).

There are a number of factors which impact upon the decision to source abroad and these are invariably related to price, variety, quality and availability (Dawson, 1994; Whitehead & Mok, 1995). The significance of price to international sourcing decisions arises from cost-price

differentials due to low-cost production, and these are often explained by low labour costs in the foreign market. For example, Kacker (1986) suggested that rising wage costs in Japan and South Korea encouraged American retailers to shift their sourcing to lower labour cost markets in China, Malaysia and Indonesia.

As a means of achieving market differentiation, a retail buyer may source from a foreign supplier in order to increase the variety and perceived uniqueness of their product ranges. In particular, Dawson (1994) noted the 'pulling power' of foreign brands in the move towards international sourcing, by virtue of consumers' perceptions of quality. Various studies have identified a relationship between customers' perception of product quality and the brand name, and more specifically, the product's country of origin, (Bannister and Saunders, 1978; Bilkey and Nes, 1982; Han, 1989; Johansson, Ronkainen, and Czinkota, 1985; Lin and Sternquist, 1994; Ahmed and d'Astous, 1995; Al-Sulaiti and Baker, 1998). Finally, in view of their need to match order quantities and commitments with demand, and within the context of quota controls limiting the volume of imports from individual sources, retailer buyers may be compelled to purchase from a number of foreign countries in order to develop product assortments that satisfy the variety and availability requirements of their businesses (Dawson, 1994).

Liu & McGoldrick (1995) identify a number of driving forces which serve to encourage international sourcing amongst retailers within 'Western countries'. These are categorised as push, pull and facilitating factors. Push factors relate to those features of the home market which serve to make domestic buying problematic and less viable, while pull factors are those features of the foreign market which make sourcing from that market attractive. Facilitating factors, such as information and technology, are dimensions which encourage and enable the

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international sourcing of goods (Burt & Dawson, 1991; Hines, 1995) Examples of each are

provided in Table 2.3

	Driving Forces	
Push	**Pull**	**Facilitators**
Domestic prices	Competitive pricing	International retailing
Pressure on margins and costs	Improved quality	Buying alliances
Few suppliers	Greater diversity	Single Market in Europe
Lack of product innovation	Consistency of supply	Better transport / communications

Table 2.3 : Driving Forces for International Sourcing. Source : Liu & McGoldrick (1995)

It is important to note, however, that international sourcing is not without its problems. Among

the constraints identified relate to the management of product quality; barriers to trade; foreign

exchange fluctuations; social, economic and cultural differences and transportation delays (Min

& Galle, 1991; Liu & McGoldrick, 1995). There are a variety of ways in which products can

be sourced internationally, however the process and methods of international sourcing will be

examined later in the following chapter, which will consider how retailers internationalise their

operations, know-how and sourcing arrangements.

2.2.2.(ii)   The Internationalisation of Retail Operations.

As has been suggested, the development of international retail operations has been a primary

focus for previous international retail research, (Martenson, 1981, 1987; Alexander, 1990,

1994, 1995; Duke, 1993; Whysall, 1997; Wrigley, 1997, 1998, 2000; Salmon and Tordjman,

1989). Dawson (1994) stated that international retail operations can be described as "the

operation, by a single firm, of shops, or other forms of retail distribution, in more than one

country" (p.268). There are a number of important issues surrounding the international opening

of retail outlets, such as the internationalising retailer having to face cultural differences in

terms of consumers, employees and business practices. Burt (1989), in a review of the key

trends affecting the European consumer, suggested that demographic, socio-economic, and lifestyle changes within Europe would provide significant challenges to retailers, not least in respect of required modifications to their store formats, merchandise assortments and methods of promotion.

A variety of studies have focused upon the internationalisation of retail operations, such as Johnson & Allen (1994) who examined the issues surrounding the preparation and opening of outlets for the British childrenswear retailer, Adams within Spain, while Whitehead (1991) considering issues arising from the franchise openings of Marks and Spencer in continental Europe, focused upon the difficulties faced by the company in relation to the product assortment, advertising and point of sale promotion. The international expansion of Laura Ashley outlets has also been examined and particular attention paid to the importance of the careful management of the Laura Ashley trading formula and store operations in order that a clear corporate identify might be developed in the minds of foreign customers (Treadgold 1991).

The examination of the international expansion of retail operations within Europe and America is long established (Knee, 1966; Carson, 1967; Hollander, 1970; Waldman, 1978) and has been considered more recently (Alexander, 1994, 1995; Bunce, 1989; Bennison & Gardner, 1995; Burt, 1994; Laulajainen, 1991,1992; Tordjman, 1994; Treadgold, 1991). While these studies have identified some of the issues associated with the development of retail operations abroad, such as in relation to management control and the creation of a retail identity within a foreign market, the main themes arising from the examination of the internationalisation of store operations have been primarily concerned with the motives and methods of entry associated with the process (Dawson 1994). A fuller examination of the motivations, strategies

and processes associated with internationalisation of retail operations will be considered more fully in Chapter 3.

2.2.2.(iii)   The Internationalisation of Management Ideas.

The flow of management know-how and expertise is the final dimension of retailer internationalisation identified by Dawson (1994). Previous research has considered the nature and characteristics of the transferability of retail concepts and know-how across national boundaries (Goldman, 1981; Ho & Sin, 1987; Kacker, 1988; Sternquist & Runyan, 1993; Dawson, 1994). In particular, these studies have served to identify the many barriers that inhibit the international flow of retailer know-how, such as those related to social, economic, legislative and cultural differences.

Kacker (1988) suggested that the term 'know-how' is used to signify "the business concepts, operating policies and techniques employed in a retail business in a given environmental setting" (p.8). Furthermore, he identified two dimensions of retailer know-how : the managerial, which includes concepts, policies and systems, and the technical, which refers to matters relating to location planning, visual merchandising, buying and merchandising.

The transfer of retailing expertise from one country to another is not a recent occurrence. It is well documented that British grocery retailers were influenced by the self-service operations of American retailers in the post-war era, as evidenced by Sainsbury's development of self-service stores in the UK in the early 1950's (Boswell 1969). Similarly, Tanner (1992) examined the influence of American trading formats, brands and product ranges upon Japanese retailers, who were quick to adopt these influences within their stores.

The various forms of retail expertise have been identified by Dawson (1994) and these include store formats, management ideas, (such as those associated with promotional methods, measures of productivity and models for the assessment of locations), retail technology, in the from of management information systems and stock control, design concepts and customer service. Kacker (1988) described the flow of retailing know-how as a movement of ideas, concepts and formulae from one retail business to another within the same region, or between different regions and claimed that the flow of know-how can be unplanned and may occur whenever a firm decides to replicate the practices of another, perhaps foreign retailer, without any formal collaboration with that retailer. Conversely, the flow of expertise can be planned, whereby "there is a purposive transfer of an established technology or innovation from one country to another" (p. 12). A fuller review of the processes associated with the international transfer of retailer know-how and expertise will be considered in the following chapter.

In summation, Treadgold (1989) described retail internationalisation as either visible, whereby the retailer's presence can be seen in the market through the stores that they operate, or is invisible, in the form of foreign financial investment or product sourcing. Treadgold's continuum usefully captures the breadth of retailer internationalisation and underlines the fact that there are financial, consumer and managerial aspects to the process and this it is not solely confined to the physical store openings undertaken by retail firms (Sparks, 1996).

2.3 WHO ARE INTERNATIONALISING ?

The second question posed by Akehurst and Alexander (1996) centres upon an examination of the 'key determinants which help to define international categories of retailer". From the literature, they identify three bases for the identification and categorisation of international retailers: the operational approach (Hollander, 1970), geographical dispersion / operational

cost and control approach (Treadgold, 1988) and the strategic (Salmon & Tordjman, 1989). Subsequent to the publication of the Akehurst and Alexander research agenda, Helfferick, Hinfelaar and Kasper, (1997) have proposed a further classification for the identification of international retailers. The four categorises will be examined in this section.

2.3.1 Hollander's Classification (1970).

The work of Hollander has been recognised as a starting point for the study of retail internationalisation, (Dawson, 1994; Burt, 1995; Alexander, 1997; Doherty, 2000) and has been credited with providing a context and direction for subsequent studies in the area (Akehurst & Alexander, 1996). Hollander's (1970) posed the question, "Who are the multinational retailers?", and in answer proposed the first formal classification of the international retailers. However, he also readily acknowledged that the "categories are rough, the lines of demarcation hazy, and the categories neither parallel nor mutually exclusive" (p.9).

While Hollander recognised the transfer of know-how, foreign sourcing, cross-border and direct foreign investment as important aspect of retailer internationalisation, his classification is based only upon those retailers that operate outlets within foreign markets.

Hollander's identification and classification of the multi-national retailers occurs on three levels. Firstly, a large number of individual retail firms, with an international market involvement, are identified in his study. Secondly, these retailers are then categorised as five types:- dealers in luxury goods, general merchandise retailers, specialist retailers, trading companies, and direct selling / automatic vending operators. Finally, the key attributes or success factors, which explain the international success of these retailers, are identified.

Table 2.4 identifies the categories identified, with the retail formats and product characteristics of each group.

Category of International Retailer	Format / Product Focus
Dealers in Luxury Goods	Jewellers High fashion stores Cosmetic houses
General Merchandise Retailers	Department stores Variety & Discount stores Mail Order Trading Companies
Specialised Chains	Food & Supermarkets Clothing & Related items Shoes Other Specialists (tyre retailers, newsagents, T.V. rental) Service Trades
Trading Companies	Hudson Bay Company
Direct Selling & Automatic Vending	Tupperware Avon Cosmetics AB Electrolox of Sweden

Table 2.4 Categories of International Retailer Source : Hollander, (1970)

Of the first group of international retailers, the *luxury goods retailers*, (of whom Hollander identified Mappin and Webb, the British jewellers, Gucci, the Italian leather goods retailer and Yves Saint Lauren, the French couturier), the appeal of the successful foreign retailer lies, **"not so much through a better type of retailing than their local competitors, but by offering or seeming to offer better merchandise"** (p.20) The basis of their providing a better product offering is invariably perceived, rather than actual, and Hollander suggested that the allure of exclusivity, and more importantly, their 'foreignness' serves to make their products seem more glamorous, chic and covetable compared to those available in the home market. Hollander acknowledged that, (in 1970), the international luxury goods retailer was not economically significant, particularly when compared to the sales turnover of other

international retailers. However, he stated that this ought not to undermine the importance of luxury goods retailers to the study on retail internationalisation especially because of their expertise in the development of internationally appealing products and brands. In particular, Hollander considered the international location strategies of the luxury goods retailers, which he defined as the "New York, Paris, London" syndrome, and noted that the majority of these retailers did, (and continue to), locate within fashionable and internationally important capital cities. He suggested that these locational decisions have served to enhance the cachet and further the international appeal of these brands.

In contrast, the international success of Hollander's second category of international retailers, the *general merchandise businesses*, (departmental stores, variety and discount stores and mail order retailers), is based upon their ability to **"offer their host environments an entirely different retailing technique from what would be otherwise available" (p.20)** Outlining the emergence and international development of the department store concept, Hollander explained how the flow of operating ideas across national boundaries has been a feature of department store trading since their earliest inception, (for example, H.Gordon Selfridge's development of his London department store was based upon his experiences at Marshall Field, Chicago), and that the borrowing of ideas, through information visits and information exchange has remained an important element of department store development.

The international success of the third grouping, the *speciality retailers*, is, according to Hollander, founded upon the twin dimensions of **a unique merchandise offer and an innovative retailing technique.** For example, the success of the Austrian food retailer Julius Meinl A.G. of Vienna within Germany and Northern Italy is explained in terms of the high quality of their own-brand food products, sold within elegant environments and with high standards of customer service.

The fourth grouping, comprised of the international *Trading Companies*. Alexander (1997) has

contested these are perhaps the least relevant and least understood group of internationalists

within a contemporary retailing context. Described by Hollander as **"a developing-country**

phenomenon,"(p. 33), the primary business of these firms was usually other than retailing, for

example, the main activity of The Hudson Bay Company, despite their extensive involvement

in retailing for over two centuries, was concerned with oil mining. However, their development

into retailing was driven by their desire to exploit opportunities within emerging markets and

establish control over retail distribution at an emergent stage.

The retailers in his final category, the *"direct selling and automatic vending companies"*,

including Tupperwear and Avon cosmetics, achieved world-wide success because **they had**

provided some form of innovation within their marketing mix, typically in terms of their

distribution mix, and in so doing were able to clearly differentiate their business's offering

within the mind of the foreign market customer.

There can be little doubting that Hollander provides a comprehensive and detailed account of

the multinational activities of the world's retailers and that the breadth of his classification

underlines the relative ease in which retailing can be internationally transposed. In addition,

and subsumed within the classification, is an important historical account, not only of the

evolvement of international retailing in general, but also of the growth and development of

individual retailers in particular, and the basis upon which these companies once sought to

compete within an international arena.

It must also be recognised that Hollander's classification is broad and does not necessarily

reflect the realities of contemporary retailing. Alexander (1997) rightly indicated that the

product and service diversification of modern-day supermarket and hypermarket retailers

requires that this group be re-classified to the general merchandise grouping, while Trading

Companies, while not to be ignored for their historical significance, have little relevance for

contemporary international retailing activities. As such, Hollander's classification, while

recognised as influential, is perhaps now less relevant within the current international retailing

setting.

2.3.2 Treadgold's Classification (1988)

While improved access to a wider range of databases and other information sources have

assisted in the process of monitoring retail internationalisation (Burt 1995), there is still a lack

of comprehensive information on the extent of the international expansion of retailers (Dawson,

1994). As such, there is no definitive list which identifies international retailers. Neither

Treadgold's (1988) classification, or that of Salmon and Tordjman (1989) sets out to provide a

definitive listing of the international retailers. Treadgold's focus is instead based upon the

process of internationalisation, particularly "the extent and geographical orientation of cross-

frontier retailing, and the strategies employed by the major retailers to enter and subsequently

operate in overseas markets" (p.79), while the focus of Salmon & Tordjman is the

consideration of the strategies adopted by retailers in order to advance their international

developments. Neither study seeks merely to identify international retailers. Nevertheless,

Treadgold (1988) does identify 43 retailers with an international presence and recognising that

the listing is not exhaustive, suggested that it included all the "principal players in the

international arena together with a number of companies representative of particular

approaches to developing an international presence" (p.82).

From the list of 43 retailers, Treadgold identified four clusters which represent the

geographical scale and orientation of their overseas interests with their mode of entry into their

overseas markets. A diagrammatic representation of Treadgold's typology is presented as Figure 2.1 below.
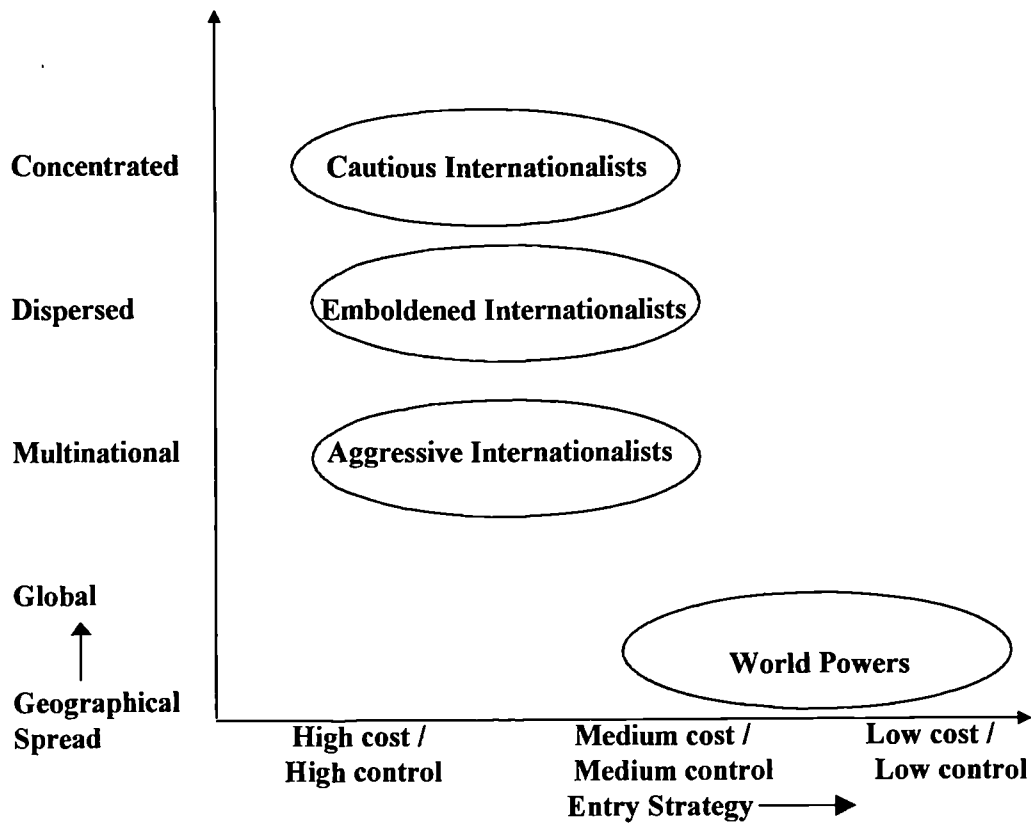
Figure 2.1 - A Categorisation of International Retailers. Source : Treadgold, (1988).

The first category, "**The Cautious Internationalists**" included retailers with relatively little international experience, who have often paid substantial amounts in order to take over existing foreign retail businesses, primarily so that they may gain local market knowledge. This grouping consisted mainly of UK based retailers, such as Boots, Dixons, and J Sainsbury, as well as a number of European retailers, including Ahold NV, Albrecht and Tengelmann. The second cluster, "**The Emboldened Internationalists**" comprised of hypermarket retailers, such as Carrefour, with a longer history of international trading and who tend to retain high levels of

centralised control over their foreign operations. Ikea, Toys R Us, and Laura Ashley were identified among the third cluster, **"The Aggressive Internationalists"**, a group of retailers whose corporate ambition of achieving a prominent international presence has been realised. Invariably, these are niche retailers that, while recognising the universal appeal of their offer, are unwilling to lessen their control over their overseas operations and interests. Finally, **"The World Power"** cluster, included Body Shop, Stefanel, Southland Corporation, Bennetton and McDonalds. These were identified as retailers with a product offering and/or formats which had the capacity to transcend socio-cultural variations, and who created markets where none had previously existed. By comparing Hollander's (1970) and Treadgold's (1988) classifications, Alexander, (1997) provided a further perspective on the identification and classification of international retailers. A diagrammatic representation of his comparison is presented as Figure 2.2 below :-
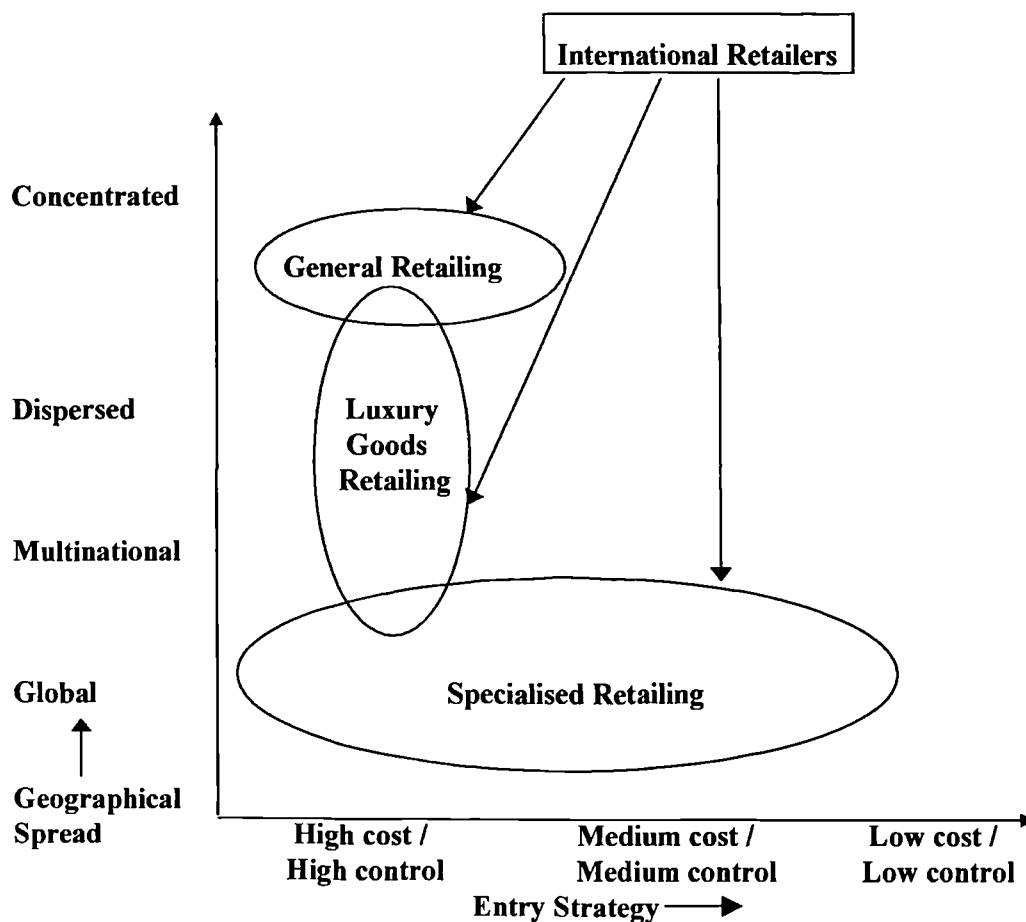
Figure 2. 2 : Comparison of Hollander's and Treadgold's Typology of international retail organisations. Source : Alexander (1997).

Alexander's comparison of the two typologies places the general retailers with their wide merchandise ranges as cautious or emboldened internationalists, by virtue of their relatively limited international market participation and desire to exert maximum control over foreign operations through high cost market entry strategies. Luxury goods retailers, because of the longevity of their international participation, are seen as emboldened internationalists, having entered markets which are culturally and geographically remote. Finally, specialised retailers are identified as either aggressive internationalists or world powers. These companies have achieved a presence in a high number of markets through the adoption of low cost / low control market entry methods.

Alexander's (1997) comparative typology is to be welcomed since it links types of international retailer with their geographical spread and market entry method. However, it must also be noted that there are examples of retailers who either do not reflect the geographic or market entry characteristics of their category, (for example, the luxury goods retailer, Gucci operates stores in over thirty countries, the majority of which are company-owned, (Gucci Annual Report, 1999), or who operate a variety of entry modes depending upon local market features.

2.3.3 Salmon and Tordjman's Classification (1989).

While Salmon & Tordjman (1989) identify a number of international retailers, their primary objective is to examine the strategies that retailers adopt for international development. Three strategic categories of international retailer are identified and it is Salmon & Tordjman's contention that the strategic approach adopted for foreign market growth reflects the internal competencies and trading characteristics of internationalising retailer. The first of these, *the investment strategy*, which involves the buying in part or all of an existing retail chain, is followed by large scale companies, nationally diversified, which are looking for new growth

opportunities abroad and concurs with Hollander's earlier observation of an "other type of internationalisation involving the acquisition of foreign subsidiaries, associates or facilities".

The second group of retailers adopt a *globalisation strategy* which involves the faithful replication of the company's retail formula within all foreign markets, based upon the vertical integration of distribution, production and design. Providing significant scale economies, this strategy is adopted by retailers with a trading concept with an international appeal such as Marks and Spencer, Laura Ashley, Ikea and Conran, The third strategy, *the multinational*, is adopted by those retailers who, by decentralising their management structures, adapt their trading formula in order to fit local customer needs. As Alexander (1997) indicated, the growth capacity of retailers who adopt this approach is limited, and they enjoy fewer economies of scale. However, the decentralised approach allows for the reciprocal exchange of information and know-how within the supply chain.

2.3.4 Helfferich, Hinfelaar and Kasper's Classification (1997).

Prompted by an apparent confusion in the terminology of international retailing, (for example, they suggest the terms international, multinational and global are used inter-changeably without clarification), Helfferich, Hinfelaar and Kasper (1997) called for a clearer terminology on international retailing. In particular, they suggested that categorisations of international retailers must draw from the broader marketing and management areas, considering the cultural dimensions of internationalisation, both in terms of the cultural spread of a retailer's foreign activities, and the orientation of the firms' management culture in relation to foreign market expansion. Furthermore, their paper argued for a consideration of the management structures adopted within foreign markets and the extent to which the retailer's marketing mix elements are standardised or modified in response to local market conditions. Table 2.5 presents the five

parameters that Helfferich, Hinfelaar and Kasper (1997) suggested for the categorisation of international retailers.

Feature	International (narrow sense)	Global	Transnational	Multinational
Geographic scope	1 continent	2 + continents	1 + continents	1 + continents
Cultural spread	1 cultural zone	2 + cultural zones	2 + cultural zones	2 + cultural zones
Cultural orientation	Ethnocentric	Mixed	Geocentric	Polycentric
Marketing	Expansion of home format or int. alliances	Minimal adaptation, homogeneous markets	Medium adaptation, heterogeneous markets	Major adaptation diverse formats, heterogeneous markets
Management	Domestic HQ	Centralised control	Integrated network	Independent units
Example	Hennes & Mauritz	Benetton Louis Vuitton	Marks & Spencer	Ahold

Table 2.5 : Five Parameters of International Retailing. Source : Helfferich, Hinfelaar and Kasper, (1997)

Those retailers categorised as *international, but in a narrow sense,* are those who engage in world-wide sourcing, cross-border alliances, and operate stores in one or two neighbouring countries, but contain activities within one cultural zone. (Cultural zones are defined as those countries that are geographically and cultural proximate). In terms of their management, these retailers control foreign operations from domestic headquarters, and the ethnocentric orientation of management views the home market as superior in terms of opportunity compared to other countries. The existing home market format is transferred to foreign markets without adaptation.

Global retailers are distinguished by their representation within all continents, (and have the potential to be regarded as global if these are represented in two or more). The cultural orientation of these firms is a mix between ethnocentric and polycentric, in that the home market is perceived as the main priority, but the company also understands and seeks to accommodate other cultures. Their approach to marketing management is to replicate the same format across foreign markets, with only minor changes to suit local market features. The

management structure of these global retailers is centralised, so as to maximise control over all foreign operations.

Transnational retailers are defined as having a well-established presence in at least one or more continents, with a geocentric management orientation which attempts to assimilate differences between markets without the loss of global co-ordination across the key business functions. It is their suggestion that these companies can think globally and act locally. With a solid market presence in at least one continent, the management structure that these adopt is based upon integrated network configurations which allows for senior management to exchange knowledge and skills and readily relocate to new foreign assignments. In terms of marketing, these companies adapt to the cultural differences, while retaining recognisable elements, such as a core product assortment, trading name and fascia.

Finally, *multinational* retailers similarly enjoy a solid presence within at least one continent and their management orientation is typically polycentric, in that by understanding and being responsive to the differences in national cultures, the firms are able to generate national strategies to suit national needs. Consequently, these retailers change their core retailing format to such an extent that the original concept and identify is lost during internationalisation. They do not transfer their domestic format, and without the need for functional standardisation and co-ordination between markets, management operate as independent units.

The model provided by Helfferich, Hinfelaar and Kasper, (1997) offers a valuable contribution to the literature by integrating and combining existing parameters that had previously been used in isolation in previous studies, with the neglected but influential dimensions of international retailing activity. In particular, the attempt to link the cultural orientation and management approaches of the internationalising retailers with their foreign expansion activity,

does encourage a closer scrutiny of the management decision-making process within the context of retailer internationalisation.

However, it could be argued that there are some weaknesses within their schema. Firstly, it is, despite its claims for the importance of management culture, presented without ratification from empirical evidence, and is instead founded upon secondary sources. Secondly, it appears to assume that retailers remain within one category and does not accommodate the fact that firms may progress from being an international to a global retailer as they increase in their international experience and confidence. Finally, the terms used to indicate cultural orientation are themselves imprecise and it is unclear how an external researcher might determine whether the management orientation is geocentric, polycentric, ethnocentric or a mix of all three. A reliance upon external factors, such as the geographic scope of a retailers' international expansion does not necessarily assist in the evaluation of management's attitude towards foreign market expansion.

The various approaches, as detailed above, while these have provided a rich source of information concerning the identity of the international retailers, are concerned primarily with the categorisation rather than the precise identification of the international retailers. However, a limited number of studies have sought to broadly identify the international retailers. For example, based upon data from the Corporate Intelligence Group for the period from 1970-1991, Dawson, (1994), while acknowledging the data to be incomplete, observed that 2057 international retail expansion activities occurred involving 459 retail firms, of which 1321 activities were within the EC and 1090 were undertaken by firms with headquarters within the community. In particular, Dawson noted that :-

- there was an increase in second half of the 1980's in the number of international actions by the 459 retailers, and a continued increase in the early 1990's, with 450 actions recorded in the period 1990-1991, compared to 371 in the years 1985-1989;

- French, German and British retailers accounted for almost 70% of the EC based firms involved in international actions, and that these firms accounted for nearly three quarters of the international actions recorded in the EC;

- non-food retailers, were more involved in internationalisation than food retailers, with 869 of the 1321 activities being with non-food retailers, compared to 286 in foods.

As such, it is impossible to precisely identify the international retailers from the literature, and indeed it could be argued that such an identification is impossible to achieve because of the multi-faceted, and in some instances, the non-detectable dimensions of international involvement, as well as the problems associated with the dynamic nature of retailer's ownership status and foreign trading involvement. Instead, it is possible to identify broad and typical characteristics such as the likelihood that they will be European, and more specifically, northern European in origin, involved in non-food retailing, particularity fashion retailing and thus far, have tended to focus their international involvement within Europe and North America, but with evidence of their extending involvement to the Far East and Eastern European countries. It is possibly this latter point, relating to the direction of international involvement, that provides a clearer indication of both the country origin of these internationalising retailers and the locational focus of their foreign market investments.

2.4 WHERE DO RETAILERS DEVELOP INTERNATIONAL OPERATIONS?

The internationalisation of retailing has been described as "basically a geographical process" (Laulajainen, 1991), and the consideration of the locational direction in which retailers choose to set up operations has been identified as providing an important insight into how retailers seek to control and manage the risk associated with the internationalisation of operations (Laulajainen, Abe and Laulajainen, 1993). Yet for a variety of reasons, not least those related to the reliability and non-availability of information related to the direction of retailer's international expansion, as well as the dynamic and changing nature of that expansion, it is difficult to provide a definitive review of the location and current volume of retailer's international involvement. However, from the literature, two broad strands of research interest are evident and these relate to the development of conceptual explanations for the direction of retailers' foreign market expansion and those studies which provide descriptive accounts of the geographical direction of retailers' expansion. The two strands will be considered in the remainder of this section.

2.4.1 Conceptualising the Direction of Retailer Expansion.

From the literature on the internationalisation of business in general, it is suggested that the direction of businesses' international expansion is determined by the geographic and cultural proximity, as well as the competitive conditions of the foreign market. However, the literature also recognises that the significance of these various factors change over time and that companies are likely to follow an evolutionary pattern of international development, (Johanson and Vahlne, 1977; Weidersheim-Paul et al, 1978; Cavusgil, 1982). This evolutionary pattern typically entails an initial entry into markets perceived to be geographically and culturally similar to the domestic market in terms of language, political and trading systems, as well as social mores and traditions. As companies increase in their international trading experience,

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confidence encourages them to extend into foreign market previously perceived to be impenetrable and remote (Welch and Weidersheim-Paul, 1980; Cavusgil,1980).

Central to the explanation of this incremental approach to foreign market entry is the concept of psychic distance. Emanating from the export marketing literature, psychic distance is predicated on the belief that a firm's inexperienced in foreign market exchange will encourage them to initially export to, and establish operations within, markets perceived to be psychologically proximate to the home market. Utilised essentially as a risk-reducing strategy, increased experience of international exchange encourages participation within markets previously perceived to be psychological distant (Johanson and Vahlne, 1977; Cavusgil, 1982)

The concept of psychic distance is implicit within the models of internationalisation. These models, particularly the Uppsala Internationalisation Model, will be considered in further detail in the next chapter that considers how retailers develop their international operations. However, at this point it is worth noting that the Uppsala Internationalisation Model (Johanson and Weidersheim-Paul, 1975), which proposes that the internationalisation of firms occurs in incremental stages, recognises that at the earliest stages of international involvement, the direction of international expansion is typically to geographically close markets. Thereafter, improvements in foreign market intelligence and increased confidence gained from experiential learning, encourages firms to enter geographically and culturally distant markets.

There is clear evidence from the literature to support the concept of psychic distance within the context of retailer internationalisation. Hollander (1970) indicated that retailers seek to manage the threat of psychological distance by entering geographically close and culturally similar markets, and this was replicated in Waldman's (1978) study which found that internationalising retailers adopt a country-by-country expansion strategy, commencing from

markets adjacent to the retailer's national border. Later studies have indicated similar patterns of expansion, (Robinson and Clarke-Hill, 1990; Lualajainen, 1991; Williams, 1991, Knee, 1993; and Burt, 1993 in Europe; Kacker, 1985 in the USA and Davies 1993 in Asian markets), although the extent to which the seemingly arbitrary notions of geographic and cultural proximity are meaningful indicators of likely business success have been legitimately questioned (Treadgold, 1988; Burt, 1993, Dawson, 1994). Furthermore, from the services marketing literature, it has been suggested that advances in communications technology, as well as macro-level changes in the form of economic and cultural integration, has meant that psychic alienation is now a much less important consideration to international marketers (Ekeledo and Sivakumar, 1998; Majkgard and Sharma, 1998).

Reflecting upon the process of market expansion adopted by internationalising retailers, and drawing from the principles established by the various stages theories, Treadgold (1990) proposed that a retailer's international development follows three stages, as illustrated in Figure 2.3 below :-
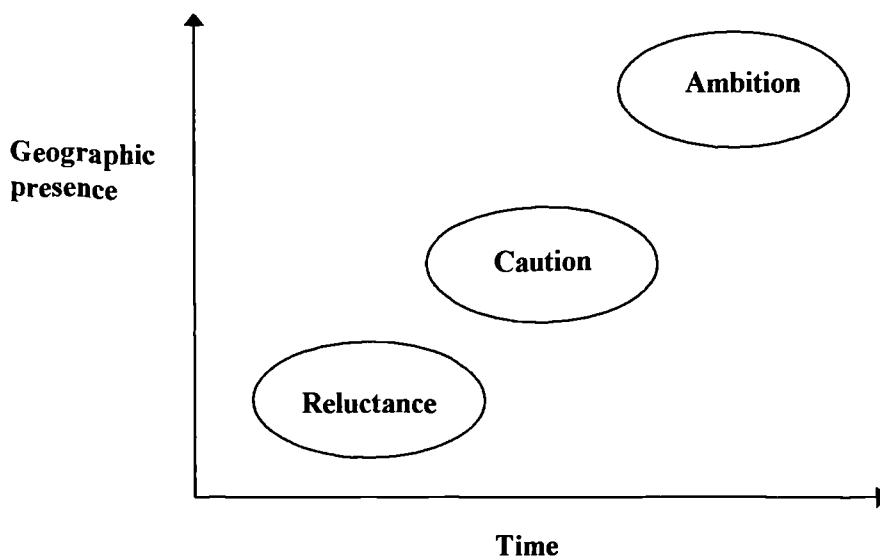
Figure 2.3 : Stages in the Development of an International Retail Business. (Source : Treadgold, 1990).

Treadgold (1990) proposed that the first stage begins with the admission of a lack of opportunity within the home market. As a result, foreign market entry is a requirement for corporate growth. At the second stage, the cautious retailer enters culturally and geographically close foreign markets. Experiential learning encourages the retailer to become more ambitious in their international aspirations, and their market choice is now based upon the nature and extent of opportunities within the foreign market, rather than for reasons of cultural and geographic safety.

While these conceptualisations based upon staged development are a useful means of illustrating the various processes that companies follow as they internationalise, they are not without their critics. In terms of the Uppsala Internationalisation Model, a number of criticisms have been levied which may equally be applied to Treadgold's three stage model. Most significantly, it has been suggested that the Uppsala Internationalisation Model is too deterministic (Cannon and Willis, 1981; Reid, 1984; Turnbull, 1987), on the grounds that not all firms need follow a rigidly sequential path of expansion, but instead some advance and retract along the path without necessarily facing significant problems.

Within a retailing context, while there is some support for the application of theoretical models related to the internationalisation of manufacturing, (Whitehead, 1992) others have questioned whether these have relevance to retailing (Turbull, 1987; Dawson, 1994). In particular, and in relation to Treadgold's application of the stages approach to retailing, it has been suggested that the stages models fail to recognise that retailers, regardless of their size, may make an immediate and significant commitment to a geographically and / or disparate foreign market, (through franchising or acquisition), accelerating the process and missing out stages (Davies and Fergusson, 1996), and do so in the knowledge that they can withdraw from the market with relative ease (Dawson, 1994).

Other studies have likewise challenged the importance of psychic distance and have suggested that not all retailers necessarily choose to locate within culturally close markets, but depending upon the nature of the retailer's product assortment and market positioning, may choose to locate at an early stage of their international involvement within markets that are geographically and culturally disparate from their home market. For example, Hollander (1970) noted that couturiers and luxury brand retailers have tended to locate within fashionable and economically significant capital cities at the earliest possible opportunity. This development of an international chain of outlets, located in prestigious centres contributes to their sophisticated and exclusive reputation. Similarly, the work of Lualajainen (1992) noted that within the luxury goods sector, the distinctive nature of the product lines, the strength of the brand name and the focus upon cosmopolitan consumer groups, meant that these retailers are less inhibited by issues of cultural and geographical accessibility and instead seek to maximise their success through aggressive globalisation strategies.

Therefore, while there is evidence to support the view that the direction of retailers' international expansion is clearly influenced by issues of cultural compatibility and geographic accessibility, and that there is often an incremental progression to more distant markets as market intelligence and confidence improve as suggested by the conceptual frameworks, it must also be acknowledged that other retailers adopt less linear approaches to international market expansion.

2.4.2 Descriptive accounts of the direction of international expansion

Concern with the direction of the international expansion of retailers has been identified as an important theme within the literature, (Alexander, 1997), borne from the desire to locate international opportunities and identify the origin of non-domestic retailers entering home markets. The expansion activities of European retailers within Europe has been an area of

particular interest. Langeard (1974) provided one of the first comprehensive accounts of British and French retailer internationalisation and found that retailers from both countries tended to initially internationalise into former colonial territories, the British into Ireland and the USA and the French into Canada, so as to benefit from the advantages inherent to a common language, legal system and similar cultural norms. The work of Treadgold, (1988, 1991); Burt, (1993) and Robinson and Clarke-Hill (1990) examined the locational developments of a number of European retailers and found that these companies initially engaged in 'border-hopping' into neighbouring markets, and Myers and Alexander (1995) found that for European retailers, expansion within the EC was the favoured position.

Drawing from the extensive tracking of international expansions undertaken by CIG, (1994), Alexander (1997) provided evidence that retailers from a variety of European countries had clearly identifiable preferred markets for their initial market entry. For example, German retailers tended to concentrate their efforts within Austria, the Netherlands, Switzerland and France, while the French focused their attention upon Spain, Belgium and Germany. Similar destination patterns were also evidenced in their research undertaken by Treadgold, (1991) and Burt, (1991). Alexander, (1997) found that the German, French and British markets not only provided the most active international retailers within Europe, but that retailer internationalisation was concentrated within these more economically advanced markets of northern Europe. However, in the part decade, there is evidence to suggest that the locus of the internationalisation activity within Europe has extended to the southern and eastern European markets (Good, Huddleson and Winkler, 1999).

From a British perspective, Burt and Dawson (1989) provided a review of UK inward and outward investment and found that the pattern of British retailer internationalisation had been cautiously built around the development of retail operations within the English speaking

markets of North America, Canada, Ireland and Australia. This strategy appeared to be replicated by foreign retailers entering the British market, almost half of whom entered from other English speaking markets. In a review of inward investment by retail companies into the United States, Kacker, (1986, 1990) identified that the American market had been especially attractive to Northern European retailers, particularly from the UK, and suggested that the British, had been attracted to the USA because of economic opportunity and perceived cultural congruence. This has been verified by other studies, (Hallsworth, 1990, Hamill and Crosbie, 1990; Wrigley, 1997, 1998).

The direction of American retail expansion has been surveyed, (Hirst, 1991; Burns and Rayman, 1995; Sternquist, 1997), and the findings have identified that Canada is typically the first choice for American retailers' initial market entry. Geographic proximity is not the sole criteria for selecting the Canadian market. Burns and Rayman (1995) argued that the Canadian market has consistently 'lagged-behind' the American market allowing US entrants to exploit their more advanced trading techniques and product ranges. Other than for a few notable exceptions, such as The Gap, Toys R Us and now Wal-Mart, these studies have highlighted the under-representation of American retailers within the international retailing arena, and while there is every expectation that this feature will be reversed in the future, Sternquist (1997) suggested that the geographic scale of the American market has meant that domestic market saturation has come later to the Americans than it has done to their European counterparts. Fernie and Moore (2000) found that the British market was the first choice for internationalising American fashion retailers, because of the economic opportunities inherent in the market. Furthermore, the British market was identified as the gateway into other European markets.

Studies of the internationalisation activities of Japanese retailers have found that the direction of their expansion has focused upon growth within the East Asian markets of China and Korea, and the south-east Asian countries of Hong Kong, Singapore and Malaysia (Davies and Fergusson, 1996). The Japanese department store groups have been identified as among the earliest and most prolific of Japan's internationalising retailers. For example. Daimaru entered Hong Kong in 1960, while Yaohan entered Singapore in 1974, (Goldstein, 1988). Other studies have examined the market entry of Japanese department stores and variety chains into the American, Australian and European markets, and have noted that these destinations were selected to satisfy the shopping requirements of expatriates and tourists (Davies and Jones, 1993; Chen and Sternquist, 1995; Clarke and Rimmer, 1997).

While still recognised to be an emergent area of research, (Alexander, 1997), researchers in the past decade have turned their attention to the opportunities offered by Eastern Europe and China (McGoldrick and Holden, 1993). These studies have identified that the Czech and Slovak Republics, (Loker, et al, 1994; Drtina, 1996), and the Polish and Russian markets (Good, Huddleson and Winkler, 1999) have emerged as important areas for market development for Western European retailers, (especially food retailers), and a limited number of American firms, the most notable of which is Wal-Mart. While acknowledging that in the recent past, retailers have tended to concentrate their internationalisation activities within North America, Western Europe and the Pacific Rim, Akehurst and Alexander (1996) claimed that a re-focusing has and will continue to occur in which Eastern Europe and China will emerge as markets offering considerable opportunity to foreign retailers.

A reason for a possible re-focusing of target markets was predicted by a number of earlier studies which identified the trading difficulties of internationalising retailers, (particularly from the UK), within those markets originally perceived to be culturally and economically

compatible, (Hamill and Crosbie, 1990; Treadgold, 1991; Thompson, 1992). Consequently, Alexander and Marsh (1993) maintained that while the USA is likely to remain an important market for British retailers, it is more likely that the geographically closer, yet perceived to be culturally distant European countries, will figure more significantly in their international expansion plans.

This re-appraisal of what were once perceived to be distant markets perhaps originates from the recognition that consumer tastes have become increasingly homogenous, that economic barriers, particularly within Europe, have relaxed, (Knee, 1993; Alexander, 1997), while improvements in communications technology and logistics enable retailers to manage and control their involvement over geographically and culturally disperse markets (Fernie, 1992; 1996). As such, it is considered likely that the future international expansion of retail firms will be less affected by issues of perceived psychic distance, but will instead be based upon the trading opportunities provided by a more disparate range of national markets (Tordjman, 1995; Alexander, 1997).

2.5 WHEN DOES INTERNATIONALISATION OCCUR ?

There are two possible interpretations with respect to the 'when' of retailer internationalisation. The first is that 'when' refers to the time-frame, the points in time when retailers' international expansion has occurred. This interpretation also provides the opportunity to explore the predominant environmental conditions that have encouraged or impeded retailers' international expansion. The second interpretation is that 'when' refers to the internal conditions and characteristics of the firm which enabled international expansion at a particular point in a firm's history. Implicit within this latter interpretation is the need to acknowledge those characteristics of the firm or the market, which have restricted retailers' participation within

foreign markets. These barriers to internationalisation have been considered in a number of studies. The remainder of this section will consider the time-frame of retailer internationalisation, the internal conditions which prompt retailer internationalisation and the barriers to successful retailer internationalisation.

2.5.1 The time-frame of retailer internationalisation.

Drawing from a multiple number of sources, Alexander (1997) provided what is arguably the most comprehensive chronology of retailer internationalisation. Beginning from 1880 to the period immediately prior to the Second World War, Alexander noted that internationalisation activity, while significant during this period, not least because of its pioneering nature, was nevertheless, undertaken by a "a restricted groups of retailers, usually operating a small number of outlets, utilising traditional store formats and selling merchandise in specialised ranges and often up-market products" (p81).

During this same period, Hollander, (1970) noted that companies such as Harrods, Woolworths and Mappin and Webb, opened their first international stores. Other examples of British retailer expansion are provided by Alexander (1997), and include the opening of the first international Burberry store in Paris in 1909 and the opening of a Parisian outlet by Liberty of London in 1890. Wilson (1985) noted that WH Smith opened their first foreign store in Paris in 1903.

The period from 1945-1974, marks what Alexander (1997) identified as two distinct stages of retailer internationalisation. In the period up until 1960, while American retailers did engage in foreign market expansion, their influence upon the international retailing landscape was more clearly evident in their influence upon retailing techniques in the less advanced markets of Europe and Japan. For example, Boswell (1969) noted that the influence of American retailers

was most apparent in the adoption of self-service merchandising and supermarket formats by British and other European retailers. Similarly, in Japan, the influence of American retailers was manifest in the adoption by Japanese retailers of American-style chain store operating techniques and Western-style products (Larke, 1994; Alexander, 1997).

In the period 1960-1974, Alexander (1997) noted that European retailers, and particularly grocery retailers from Germany, France and the UK, began to engage in foreign market expansion. Burt (1991) examined the timing of the international market development of European grocery retailers and noted that the 1960s were characterised as a period of slow international growth, followed by a surge in the mid-1970's. It is his contention that in some instances, but by no means all, the increase of international activity can be explained in terms of the impact of macro environmental factors upon national food markets, such as those related to legislative restrictions on the size of store openings and the real or perceived threat of home market saturation.

Alexander (1997) noted that the early 1970's was the period when many of the UK's most successful retailers, including Burtons, Marks and Spencer, Granada, Great Universal Stores, Mothercare and EMI, first engaged in foreign market expansion. Furthermore, he identified a number of factors which facilitated the growth in international activity at this time :

- A large number of retail operations had reached a stage in their corporate development which allowed for international activity;

- Prosperity in the home and non-domestic markets had created conditions which encouraged expansion and provided cash-rich companies capable of funding foreign market development;

- Barriers to international activity were lowered or removed;

- Increased economic and political integration such as the creation of the European Economic Community and the European Free Trade Area;

- Lowering of cultural barriers between markets precipitated by the internationalisation of communications and the media, and an increase in international travel.

In sharp contrast, the years 1974-1983 were described by Alexander (1997) as a crisis period for retailer internationalisation, as evidenced by the sharp reduction in the volume of new international ventures by retailers. The work of Burt (1993) corroborates this assertion, and noted that in 1973 there were over sixty international ventures undertaken by British retailers alone, while in the period from 1976-1979 that annual number of ventures had dropped to single figures. The oil crisis, and the advent of a world-wide economic recession during this period provides a credible explanation for this decline in foreign activities.

Allied with the economic recovery of the period, the years 1983-1989 have been identified as the most significant in terms of the number and variety of retailers expanding into foreign markets (Treadgold, 1991; Burt, 1993; CIG, 1991; Wrigley, 1997, 1998; Alexander, 1997). In particular, British retailers were found to be especially active in this period, and many leading retailers, such as Marks and Spencer and J Sainsbury, entered the American market by acquiring established, but not always successful, indigenous retailers. Treadgold (1991) noted that in 1988 more than half of all foreign direct investment in the USA was made by British retailers.

CIG (1991) recorded that significant levels of cross-border development occurred within Europe during this period, and that the majority of these developments were into geographically close markets. Expansion within Europe was not however restricted to the activities of European retailers and Davies (1993) noted that the international expansion of Japanese

retailers, particularly those that operated department stores was unprecedented within Europe at this time. Indeed, Alexander (1997) noted that in the 1980's, 53 per cent of Japanese international retail actions were made by department store groups.

Finally, it has been suggested that the period 1989-2000 marked a fundamental change in the nature of international retailing. While there was a broad slowing down of international expansion activity in the 1990's, attributable largely to the restrictions of economic recession across most major markets, internationalisation activity did not collapse. This would appear to indicate that international participation is less vulnerable to the vagaries of economic turbulence and is now an established and secure feature of contemporary retailing (Alexander, 1997). From 1991-1994, the number of European retailers moving into other European markets continued to grow, facilitated perhaps by the movement towards economic integration within the European Community (CIG, 1991; 1994). And while the emergence of global retail structures remains at an embryonic stage, the continued growth of cross-market participation by retailers within the European Community indicates that in the 1990's retailing has become at least macro-regional in nature (Alexander, 1997).

The continued internationalisation of retailing within European has not been exclusive to European companies, for the 1990's also marked the continued rise in the participation of American retailers, particularly fashion companies, within Europe (CIR, 1997). Furthermore, while the expansion of retailers from the European Community and other markets into the now accessible markets of Eastern Europe has not been as prolific as might have been previously predicted, it is nevertheless true that the 1990's marked a period of unprecedented foreign retailer activity within Eastern European markets (Good, Huddleson and Winkler, 1999).

2.5.2 The conditions and characteristics of internationalising retailers.

Of the areas relevant to the internationalisation of retailing, that which considers the conditions which are likely to prompt foreign market expansion by a retailer at particular point in their corporate history has received moderate attention within the literature. The previous section examined the time-line of retailer internationalisation in the past century and clear links were evident between the macro environmental conditions of the time and the overall trends in retailer's international participation. Alexander (1995) provided an extensive numerical account of the 'peaks and troughs' of retailer internationalisation, and explained these trends within a macro environmental context. He acknowledged, however, that these environmental factors do not account for the international expansion of all retailers, and that these factors provide no explanation as to why certain retailers avoid foreign market expansion altogether. In a similar vein, Burt (1991) argued that while macro environmental conditions are important for a general understanding of international developments, it is necessary to consider also the internal characteristics of the internationalising firm, (such as corporate culture and business competencies), since these may provide some clue of the factors that precipitate and facilitate international action among certain retailers and not others. As an example, Burt noted that the earliest participants in the internationalisation of grocery operations in Europe were leading domestic retailers or innovators who had sufficient resources and innovative trading approaches to make pan-national expansion possible.

The general literature related to the internationalisation of business, while similarly acknowledging the influence and importance of macro environmental factors upon the decision to internationalise, as well as the timing of a move to a foreign market, (Rabino,1980; Aaby and Slater, 1989; Moon and Lee, 1990; Katsikeas,1994), also contends that it is as important to evaluate their internal competencies in order to adequately explain their expansions and

possibly account for their success (Cunningham and Spigel, 1971; Buckley and Casson, 1979; Cavusgil, 1983,1984; Christensen et al, 1987; Ghauri, 1990).

Hollander (1970), in recognition of the competitive nature of international retailing, argued that there was no point in entering a foreign market unless the retailer could exploit its differential advantage as a means of attracting customers. Waldham (1978) explicitly detailed the factors for international retailing success, and these included the mechanisms from the retailer's headquarters which serve to ensure maximum control over local decision-making; the precise match between the retailer's exported offering and the needs and expectations of the target audience, as well as clear operational support and guidance for local management.

Williams (1992) termed the success factors that assist retailer internationalisation as 'differential firm advantages' such as 'corporate entrepreneurship', which relates to the extent to which retail firms are prepared to take calculated business risks, favour change and innovation, and are prepared to lead rather than follow the competition. The 'degree of marketing orientation' was also identified and this marks the extent to which retailers are close to their customers and have transformed themselves from being a passive pipeline for the distribution of manufacturer's brands to innovative developers of their own-brands. William's also claimed that 'organisational size' has a positive influence over international retailing success and that larger size, (which can be used as an indicator of greater resource availability and specialist knowledge), may allow the retailer to operate more effectively within international markets given their ability to accommodate greater risks and losses. 'Corporate international orientation' relates to the extent to which retail companies identify and consider the opportunities offered by foreign market participation. A retailer with a low 'corporate international orientation' fails to recognise foreign market possibilities and instead focuses totally upon domestic market potential. The extent to which a retail firm prizes the knowledge gained from international

retailing, (which Williams defined as 'accumulated learning experience') serves to act as a measure of the retailers commitment to international expansion as well as an important indicator for their potential foreign market success.

In addition, and as an acknowledgement of the influence that individual personalities have upon the tenor of corporate culture, Williams maintains that decision-maker traits do have an important, if at times difficult to define, influence upon a retail firm's approach to international development. If decision-makers have a global disposition then they will be more aware of international opportunities and will be less affected by any potential problems or obstacles that may exist within the foreign market. It is Williams' contention that retailers who recognise the innovative and international appeal of their offering are more likely to embark upon international expansion and will do so rather than pursuing domestic market domination, while those companies that are 'inward looking and preoccupied with managing their extensive domestic activities' are far less likely to become involved in international markets.

Other studies have suggested that corporate culture is likely to have a significant influence upon a retailer's decision to internationalise as well as the likely success of that internationalisation (McGoldrick and Fryer, 1993). Their study found those companies that had a 'vision of internationalisation', as manifest in the development of a clearly defined and resourced development strategy, and a commonly shared set of business objectives, were less likely to remain in the 'cautious' stage of international market development. Furthermore, and drawing from the themes evident in the organisational behaviour literature, McGoldrick and Fryer's study noted that internationalisation was essentially a learning experience, and those companies with a culture that embraces the opportunity to reflect, learn and benefit from their experiences, are those that are more likely to learn from experiences, adapt to diverse market conditions and therefore achieve international success.

Treadgold (1989) identified ten internal and external success factors deemed vital for success

within international retailing, and these are presented in Table 2.6

Internal Success Factor	External Success Factor
Commitment of senior management to develop an international presence	Sound understanding of the foreign market
Adequate support for foreign markets	Ability to be commercially innovative
Maximum control over supply chain participants	Offer must appeal to the needs of foreign customers
Appropriate method of market entry selected	Offer must transcend cultural and aspirational differences
Belief and commitment to long-term potential of the market	Ability to influence customer preferences so that new opportunities can be developed where non had previously existed

Table 2.6 : Critical Factors for Internationalising Retailers Source : Based upon Treadgold, (1989).

With the benefit of hind-sight, Treadgold's resume provided what was clearly a 'broad-brush

review' of the factors which contribute to retailers' international successes, but which does not

in itself provide any means of forecasting the likely success of a retailer on the verge of

internationalisation. Miller (1994) argued that it is impossible to predict the success of

international expansion for even the most successful national retailers, and as such, companies

have little to guide them in terms of whether and when they should globally expand.

While focusing specifically upon the experience of specialist retailers, Simpson and Thorpe

(1996) argued that it was possible for these retailers to assess whether they had the necessary

competencies to achieve foreign market success. Recognising the need to locate and exploit

specific differential advantages within the foreign market, they proposed a conceptual model

comprising of four elements - product, lifestyle, image and niche, which appear to be "...unique

and inherently common to those speciality retailers who have successfully expanded into

international markets" (p.19) These elements are brought together in their PLIN model which is

illustrated in Figure 2.4.

PRODUCT

NICHE   IMAGE

LIFESTYLE
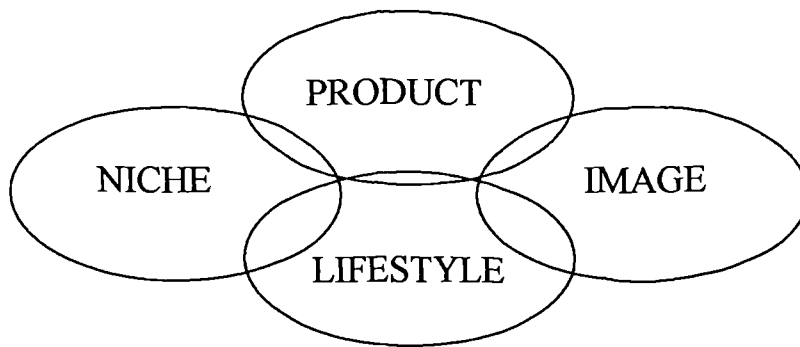
Figure 2.4 : The PLIN Model for International Decision-Making Source : Simpson and Thorpe (1996)

As a pre-condition to foreign market expansion, Simpson and Thorpe suggested that the retailer must assess whether they can provide a unique and differentiated combination of these elements, in the form of a coherent and attractive proposition within the foreign market. If not, then they must re-consider the viability and suitability of their international expansion strategy. It is their contention that international success is based upon uniqueness; in relation to product, such as in the ranges of Laura Ashley which are different from that of the competition; lifestyle, defined as "the compatible match between the company's unique store environment, merchandise and sales promotional efforts and the characteristic lifestyle patterns, behaviours, needs and wants of a distinctive group of targeted customers"(p.21). The image of the company must be memorable and this is achieved through the use of a distinctive company name, and re-enforced through own-branding and distinctive store interiors. The PLIN model, according to Simpson and Thorpe, must "take precedence in the decision-making process" (p.23).

Porter (1985) previously identified differentiation as a viable strategy for competitive advantage, and clearly the development of a differentiated offer is central to the PLIN model. Other studies, such as Waldman (1978) and Treadgold (1991), also underlined the importance of unique and appealing products for achieving foreign market success. Similarly, the importance of the retailer image was been examined by McGoldrick and Ho (1992) who

examined the process in which Marks and Spencer revised and adapted their image positioning to better suit their foreign markets. Other studies have similarly outlined the impact of the internationalising retailer's image and reputation upon the patronage behaviour of foreign customers (McGoldrick and Ali, 1994; McGoldrick and Blair, 1995).

Returning to the PLIN model, while its attempt to locate and integrate the dimensions which contribute to retailers' international success is welcomed, it is not without limitations. The most obvious limitation is that the model is concerned only with specialist retailers, and furthermore, the globalised approach to internationalisation, based upon the standardisation of all positioning elements upon which it is based, does not allow the specialist retailer to adopt a multinational strategy, based upon local adaptation, as defined by Salmon and Tordjman (1989).

Perhaps the more significant criticism of the PLIN model is that it fails to explain why some highly differentiated retailers, who are very successful within their home markets, fail to translate their domestic success into the international arena. For example, the British fashion retailer, NEXT have successfully developed each of the ingredients that the PLIN model espouses, faced significant problems within the USA and Europe markets and have failed to replicate their UK success (Next Annual Report, 1994). And other companies, such as Laura Ashley, who do appear to offer a differentiated offer in the manner that Simpson and Thorpe suggested, have found that their international success has been erratic (and not of the proportions that the PLIN model might suggest). Indeed, it could be argued that Laura Ashley's past success has had as much to do with their methods of market entry and the geographically-based management structure that they have adopted, as it does to the strength of their product or trading format (Christopher and Peck, 1994).

Establishing a broader perspective on international success, studies from the export literature emphasised the importance of continuous market foreign research to strategic decision-making (Johanson and Vahlne, 1977; Cavusgil, 1984). Similarly, Tordjman and Dionisio (1991) highlighted the significance of consumer and competitor behaviour research to the process of strategic decision-making. Fernie (1994, 1995) considered the importance of distribution competence for international retailing success and argued that retailers must take a strategic approach to supply chain management, while Helfferich and Hinefelaar (1995) stated that a defining characteristic of the most profitable international retailers is their ability to effectively co-ordinate and control their logistics networks in a cost-effective manner.

As these studies show, retailers' international success can be attributed to a number of factors, with none assuming precedence over the other in terms of importance. And while the desire to exploit corporate capabilities is clearly a pre-condition of international expansion, what is less clear from the literature is the nature of the relationship that exits between corporate capabilities and external market factors and the point in time when internationalisation takes place. As such, the decision-making stages prior to a retailer's foreign market entry are worthy of fuller attention by researchers.

2.5.3 Barriers to successful retailer internationalisation.

Hollander (1970) provided a comprehensive review of the main problems of multinational retailing, and these included a shortage of management talent and difficulties in obtaining reliable sources of supply in the foreign market. Furthermore, he noted the lack of support from facilitating institutions and the issues surrounding the control and management of operations from a distance. Jackson (1976) identified a similar range of problems, and also noted that the power of established competition to influence government policy, particularly in relation to their imposing restrictive legislation and controls over profit repatriation to be problematic for

foreign entrants. Burt (1986) highlighted the restrictive land use laws in Europe and in France, in particular, which contained the growth of large foreign retailers to protect smaller, local firms. Similar protectionist measures have been identified in Japan (Davies and Sparks, 1996). Williams (1992) suggested that the problems derived from other macro environmental factors, such as excessive currency fluctuations and highly competitive markets, are intensified by a general lack of knowledge and experience of the foreign market. A variety of studies have identified language differences as an important inhibitor to effective communication and control between the home and host country, (Davies, 1989; McGoldrick and Fryer, 1993) and that this accounts for a tendency among retailers to locate within countries that use the same language.

Salmon and Tordjman (1989) identified a range of internal problems or obstacles which may restrict foreign market participation, such as the retailer's size, whereby a small retailer may be seen to lack the resources and managerial culture for international expansion and as such, international aspirations may be thwarted by the fact that a higher priority is given to domestic expansion. Other restrictions may relate to the perception that international involvement is a high risk strategy and a lack of sufficient resources and perhaps the experience of past failures may mean that the retailer has become disinclined to become involved in international ventures (Williams, 1992).

Recognising that research which relates to the obstacles faced by internationalising retailers is relatively scarce, Alexander (1997) suggested that the major obstacles that retailers are likely to face are more likely to be cultural rather than technical. Due to a lack of knowledge concerning the cultural and behavioural characteristics of foreign consumers, many retailers under-estimate the extent to which they must amend and adapt to suit local market conditions. Hollander (1970) had previously identified that adjustments in the range of products available, their price and visual presentation, as well as the range and type of customer services offered,

were often necessary activities on the part of international retailers, as part of the effort to best reflect the needs and requirements of local markets. Similarly, Dawson (1994) identified the need for international retailers to adapt their management practice to accommodate the cultural and social characteristics of the host country.

Of the obstacles likely to affect the international operations of British retailers, Williams (1991) found that issues surrounding the significant financial costs associated with international development, the memory and pain of past international failures and a lack of internal resources needed to adequately support foreign developments, were the factors most likely to inhibit international growth outside of the UK. However, it is also Williams suggestion that while these factors may be often cited as potential obstacles to internationalisation, in reality, these have had little impact upon retailer internationalisation. For reasons of ignorance, often borne from a lack of international experience, the significance of these obstacles is often underestimated by retailers and it is Williams' contention that through their conviction that they possess an innovative and internationally appealing offer, coupled with their desire to achieve increased profitability, it is the assessment of some retailers that such obstacles are manageable and surmountable.

While it would therefore appear that the provision of a definitive set of criteria (which could be used to either predict a retailer's international fortunes, or to estimate the point in time when they may enter into a foreign market) is somewhat elusive, there is nevertheless much to recommend William's (1991) assessment that international involvement is most likely to occur, and prove successful, if a retailer possesses a retail offer that is innovative and has an universal appeal. This, coupled with a credible commitment to achieve growth through foreign market involvement, is perhaps the only available mechanism to predict the time and likely success of foreign market involvement.

2.6 CHAPTER SUMMARY.

The literature concerned with the nature and definitions of retailer internationalisation, the type of firms likely to engage in such activity, as well as the geographical direction of such expansion, were examined in this chapter. In addition, consideration was given to the factors likely to influence a retailer's decision to internationalise. The literature reviewed would appear to suggest that :-

- Retail internationalisation is not confined to the opening of outlets within foreign markets, but also embraces such dimensions as foreign market sourcing, the international exchange of management ideas and financial investment, as well as the cross-border movement of consumer purchasing;

- A precise identification of the international retailer is impossible to provide but, in broad terms, these have typically been European firms, involved in the majority of cases in non-food retailing and have tended to focus their international expansion within Europe and North America;

- The direction of expansion has been conceptualised as normally following an incremental and staged pattern of development, and North America, Western Europe and the Pacific Rim identified as key markets for expansion;

- The timing of retailer internationalisation appears to have followed a cyclical pattern of development, invariably as a response to macro-environmental factors;

- Foreign market success appears to be affected by a range of internal and external environmental factors, and in particular, the availability of a differentiated retail offering with an international appeal;

- Expansion into foreign markets can be inhibited by foreign market regulations, cultural barriers and a lack of market knowledge

Chapter Three will examine the literature relevant to the motives and strategic processes associated with retailer internationalisation.

CHAPTER THREE

REVIEW OF THE LITERATURE ON
INTERNATIONAL RETAILING

Chapter Summary

This chapter reviews the literature related to the motivations and strategic processes associated with retail internationalisation, in effect, the "why" and "how" questions of non-domestic expansion. After a review of the reasons why retailers engage in foreign market expansion, the strategies used by retailers in order to expand operations and the methods of market entry they adopt are considered. The chapter concludes with an examination of the mechanisms in which the internationalisation of sourcing and the exchange of management expertise is achieved.

3.1   INTRODUCTION

The previous chapter provided a review of the literature which has defined retailer internationalisation, identified the international retailers, located the direction of their foreign market expansion and considered the timings of this form of growth activity, at both the macro and micro environmental levels. This chapter considers the literature relevant to the two remaining dimensions of retailer internationalisation as identified by Akehurst and Alexander (1996), and presented in Table 2.1. The first of these dimensions relates to the 'why' of retailer internationalisation and the reasons and motives which prompt retailers to expand abroad. Lualajainen (1991) suggested that the study of retailers' motivations for internationalisation is essentially concerned with the 'trigger' of that process, the impetus which ultimately determines where, when and how retailers enter into a foreign market.

The second dimension to be considered is the 'how' of retailer internationalisation, specifically the strategies that retailers deploy for the purpose of market entry and the establishment of retail operations in the foreign market. Mindful that the activity of retailer internationalisation

extends beyond that of the operating of stores abroad, (Dawson, 1994), the chapter also considers the methods that retailers use to co-ordinate the international sourcing of products and the exchange of management know-how and experience.

3.2 WHY DO RETAILERS INTERNATIONALISE ?

Of the research areas related to retailer internationalisation, that which considers the reasons for retail firms involvement within foreign markets, has arguably attracted greatest attention (Hollander, 1970; Jackson, 1976; Waldman, 1978; Kacker, 1985; Salmon and Tordjman, 1989; Treadgold, 1988, 1989, 1990; Alexander, 1990,1995; Tordjman, 1994). Variously described as driving forces, (Treadgold, 1990), international inducements, (Hollander, 1970) as well as strategic motivations, (Alexander, 1990), all of these terms relate in some way to those factors that encourage retailers to consider international market involvement as a strategy for growth (Williams, 1991). This section will examine the descriptive and conceptual accounts of retailers' motives for internationalisation identified within the literature. Initial attention will be given to Dunning's Eclectic Paradigm, (1981), which although not devised within a retailing context, has been acknowledged as influential within the area of retailer internationalisation. Thereafter, the work of Hollander (1970) will be considered given its significance and finally, the other conceptual frameworks developed to explain retailers' motivations for internationalisation will be examined.

3.2.1 Dunning's Eclectic Paradigm, (1981).

The Eclectic Paradigm proposed by Dunning (1981) has been recognised as the most widely applied theoretical framework for understanding direct investment, and specifically investment to finance manufacturing activity, within a foreign market (Johanson and Vahlne, 1977). From

the literature on retailer internationalisation, a number of authors have acknowledged a debt to Dunning's Eclectic Paradigm, principally as a point of departure for researchers as they seek to investigate and conceptualise retailers' motivations for expansion into international markets (Dawson, 1994; Pellegrini, 1992; Sparks, 1996; Alexander, 1997). And while the applicability and relevance of the model for retailer internationalisation has been questioned, the inherent value of the model lies in its ability to underline the highly specific characteristics of retailers' foreign market participation (Dawson, 1994).

Dunning explained that the intention of the Eclectic Paradigm was to offer an integrated framework, which would allow for the identification and evaluation of the significant factors that influence and motivate the initial movement towards foreign market production by manufacturers. The rational for the word 'eclectic' was explained by Dunning as an attempt to underline the complexity of the motivations that lead to manufacturer internationalisation, and the need to draw from various strands of economic and business studies theory.

More specifically, the purpose of the Eclectic Paradigm is to provide an account of a company's apparent willingness to engage in direct production within a foreign market, as opposed to maintaining an indirect link with the foreign market through the exporting of goods produced within the domestic market, or through engaging in licensing agreements. Dunning contends that a firm will engage in foreign direct production if three conditions are satisfied. These conditions relate to ownership-specific advantages, internalisation incentive advantages, and location-specific advantages. The features and descriptions of the conditions are presented as Table 3.1 below :-

Advantage Type	Characteristics / Description
Ownership-Specific Advantages of one enterprise over another	• due to size, established position, product or process diversification, better resource capability and usage • Proprietary technology, trade mark protection • Exclusive or favoured access to product markets • Government protection
Internalisation Incentive Advantages (to protect against or exploit market failure)	• Reduction of costs associated with market transaction • Avoid costs of enforcing property rights • Compensate for absence of future markets • Control supplies and conditions of sale of inputs
Location-Specific Advantages	• Spatial distribution of inputs and markets • Input prices, quality and productivity • Government intervention • Communication and transport costs • Psychic distance

Table 3.1 : The Eclectic Theory of International Production Source : Dunning, (1981).

Ownership-specific advantages provide a firm with competitive advantage within a market because of their possession of certain tangible and intangible assets, such as unique products, company size or trade mark protection, which are, at least for a period of time, exclusive or specific to the firm possessing them. The desire to maximise the ownership-specific advantages then encourages the firm to use them itself rather then to sell or lease them. The **internalisation advantages** are ultimately concerned with protecting against or exploiting market failure, and necessitate the extension of the firm's activities through organic growth and vertical integration, rather than through the externalising of these assets through contracts with independent firms.

As to whether these advantages result in the extension of the firm's internal activities, such as manufacturing activities, to a foreign market, is dependent upon whether the firm can utilise and co-ordinate their advantages with factor inputs derived from the foreign market, i.e. **location-specific advantages.** If foreign market participation cannot provide some form of location-specific advantage, such as in relation to lower labour costs, or the opportunity to circumvent import controls and the like, then foreign markets will be served entirely by exports and domestic markets by domestic production.

While Dunning contended that "all forms of international production can be explained by reference to the above conditions" (p.81), but that the various advantages inherent to the Eclectic Paradigm would not be evenly spread across countries, industry sectors or enterprises. Furthermore, he noted that the various advantages are not static but change through time.

Dunning makes no direct reference to retailers' foreign investment, others, such as Dawson (1994) and Pellegrini, (1992) have considered the applicability of the theory to the foreign direct investment of retailers, analysing in particular the three advantage categories within the context of retailing. Dawson (1994) suggested that the ownership advantages of retailers can be readily found in their products, brands and refined sales methods, (such as that undertaken by Benetton), but that these advantages can be readily obtained through indirect financial agreements in the form of licensing and franchising. Likewise, Pellegrini (1992) maintained that while ownership specific advantages are often linked to product differentiation, these advantages do not justify, in themselves, the decision to invest abroad when products can be so easily and profitably exported. And while it is acknowledged that location specific advantages, such as relatively lower fixed and variable costs may justify why a product ought to be produced within another country, Pellegrini argued that this does not account for why the

retailer should be directly involved in the retailing of that product given that there are many examples of retailers enjoying locational advantages through franchising and licensing, thus avoiding direct investment and other associated costs.

Furthermore, Davies and Fergusson (1996) argued that a major difficulty in the application of the Eclectic Paradigm relates to its exclusive focus upon industry or sectoral advantage, rather than advantages at the level of the firm. More specifically, Dawson (1994) and Pellegrini (1992) have suggested that the Eclectic Paradigm highlights the inherent differences between direct foreign investment within the manufacturing and retailing sectors. Inextricably linked to these differences in approach to foreign investment are the variations that exist in relation to the organisational and management characteristics of manufacturing and retailing businesses, specifically those related to the nature of decision making and the balance between centralised and decentralised control, the size of the retail establishment relative to the size of the firm, and the extent of spatial dispersion that may exist within a multi-establishment business. Dawson also identified the key financial differences between the retailing and manufacturing firm and suggested that these clearly impact upon their methods of international trading. In particular, he noted the variances in the relative importance of organisational and establishment scale economies within retailing, as well as the differences in cash flow characteristics, (e.g. income streams are generated more speedily after the initial decision to invest is made, lower exit costs, as well as the relatively high value of a retailer's stock investment).

Finally, while the Eclectic Paradigm may fail to provide a satisfactory explanation of retailer direct foreign investment, it does provide a context which enables the identification of the three most significant motives that lead to retailer internationalisation, notably those of limited growth opportunity in the home market, the competitive implications of rival's actions, at home

and abroad, as well as the desire to exploit the innovationary advantages that the firm may enjoy, perhaps in relation to product, format and retailing technique within a foreign market.

3.2.2 Hollander's (1970) contribution.

Hollander (1970) provided a comprehensive account of the motivations underlying a retailer's decision to internationalise, which had a significant bearing upon subsequent research in this area (Alexander, 1995). Hollander identified three primary motivation categories :- inadvertent internationalisation, internationalisation for non-commercial reasons, and internationalisation for commercial objectives. Inadvertent internationalisation was described as occurring without any resultant change to the number of foreign stores or of their location, and was attributed to the impact of political events. Hollander gave the example of the decolonisation and post-colonial developments after the Second World War of 'mother country retailers' who found themselves, for political reasons, to be estranged from their foreign-home markets and had to face the same problems of trade tariffs, exchange controls and new forms of regulations as any other retailer entering a foreign market for the first time.

Of the non-commercial reasons identified, Hollander suggested that a retailer may participate within a commercially unattractive foreign market for social, political, personal and ethical motivations. For example, he used the Hudson Bay Company as an example of a company operating within geographically isolated areas, lacking in adequate distribution services, primarily for altruistic and not commercial reasons.

The commercial reasons identified are many. Again, mindful of the political context of retailers' international involvement, he noted that negative legislative, regulatory or taxation

policies within the home market have forced retailers to engage in foreign market expansion, but also that government policy may actively support retailers' expansion into foreign markets. Existing relations within a foreign market, perhaps in the form of import / export agreements were identified as the impetus for the development of full operations within a foreign market, with the further incentive that participation within a number of foreign markets can protect the retailer from the ill effects of market turbulence within any one country. Expansion may also be for reasons of prestige, whereby a retailer may seek to locate within major world centres in order to underline and emphasise their exclusivity and importance.

International expansion can be defensive, as in the case of those retailers who expand abroad in order to limit the foreign expansion of another retailer from the home market or from another foreign market. As an example of such preclusive activity, Hollander cites the actions of Swedish retailers who entered the Danish market in order to restrain the expansion of German retailers into Denmark who might then use it as a means of entry into Scandinavia.

According to Hollander, the most significant motivation for retailer internationalisation is the hope of capitalising upon existing or potential sales opportunities within a foreign market. Attractive conditions, including stable economic environments, affluent consumers, and the lure of under-developed retail markets attract foreign retailers to enter with new formats and product types. Furthermore, the desire for international involvement is often intensified, according to Hollander, by restriction and saturation within the domestic market. As an example, Hollander examined the reasons why Debenhams entered Australia in 1958 and concluded that market saturation was the driver for their extension into foreign markets.

3.2.3 Conceptual frameworks for internationalisation motives.

The contribution by Hollander (1970) to the understanding of retailer's motives for foreign market development is significant, (Alexander, 1995), and his three motivation categories clearly influenced the interpretations presented within the subsequent studies in the 1980's and early 1990's undertaken by Kacker, 1985; Treadgold, 1989, Alexander, 1991; Williams, 1992. This is not to say that the area was ignored in the intervening decade. Jeffreys (1973) examined the reasons underlying British retailers move towards European internationalisation and concluded that British entry into the EEC encouraged retailers to take advantage of opportunities within European markets. Similarly, Jackson (1976) proposed that British retailers had entered Europe in order to maintain profitability growth, spread the risk of their investment across markets, and utilise internal competencies. Waldman (1978) identified two types of motivation: 'initiating' and 'auxiliary'. Initiating forces were described as the enthusiasm of senior management for foreign market participation, the availability of foreign trading partners, and determination to match the foreign activity of domestic competitors. The auxiliary factors were defined as internal competencies, and included resource availability, management capability and the ownership of a brand with international appeal.

Alexander (1997) noted that 'push' and 'pull' factors have emerged as an important method for interpreting retailers' motives for expanding into foreign markets. Derived principally from the work of Kacker (1985, 1986), the 'push-pull' dichotomy seeks to explain why retailers are pulled towards a foreign market and / or are 'pushed' out of their home market in order to further their growth objectives. Based upon a review of the expansion activities of European retailers into the American market, Kacker (1985) claimed that these two sets of factors were the key drivers for the significant growth in European retailer acquisition of American firms from the early 1970's to the mid-1980's. Accordingly, European retailer activity was prompted

by 'push' factors evident in the various home markets, and by 'pull' factors in the American market. Furthermore, it is suggested that the 'push' and 'pull' factors operate at the macro environmental, and the micro organisational levels.

At the macro level, the 'pull' factors of the American market identified by Kacker include a stable political and economic climate, lack of governmental market interference, relatively high levels of consumer disposable income, as well as the availability of real estate at an affordable price, assisted by the depreciation of the US dollar and a depressed stock market. European retailers' aspirations for US market entry were further served by conducive micro level 'pull' factors in the form of a number of 'available-for-purchase' retail businesses which appeared, at the time, to be credibly priced in view of their development potential.

In contrast, the domestic market conditions faced by European retailers were suggested by Kacker to have 'pushed' many retailers to look outside their home market for future growth. At the macro environmental level, Kacker highlighted governmental restraints within Europe which sought to restrict the development of certain retail formats, (such as hypermarkets in France, Burt, (1986), coupled with an increasingly competitive home market and economic stagnation in many countries. At a micro level, many European retailers, having reached saturation point within their home markets, sought growth within the USA instead since it appeared to offer greater economic opportunity. As his conclusion, Kacker suggested that the regulatory climate of European markets served to discourage retailers from expanding into Europe, and as a result, the American market has proved to be a more attractive investment site.

Other studies appear to confirm Kacker's assertion concerning the 'pull' of the American market. Salmon and Tordjman, (1989) maintained that European retailers were attracted to the USA because of the size and consumer affluence of the market, the low barriers to market entry, (particularly in relation to the comparatively low cost of land), the economic and political stability of the USA, and because the advanced conditions of the American market provided an incentive and direction for the advancement of operations within the home and other European markets.

Hamill and Crosbie (1990) investigated the movement by British retailers into the USA and also concluded that the reasons for such investments could be attributed to British recognition of the limited growth opportunities in the home market and the significant development potential offered by the American. Similar explanations are also provided by Wrigley (1987, 1989, 1993, 1998, 2000) who found that grocery retailers from the UK, facing shareholder demands for increased growth and profitability, were lured to the USA because of the commercial attractiveness of that market compared to that of home.

Yet, there is also evidence from the literature to suggest that the regulatory barriers identified by Kacker (1985) are over-stated. For example, Burt, (1993) found that the intra-European expansion of food retailers was motivated by conducive economic and social conditions, while Dawson (1994) noted the allure of higher profits within European markets served as a driver for internal expansion by European retailers, and cited the example of Marks and Spencer, who in 1992 found that net trading margins from their European stores were 16% compared to the 12.4% contribution of the UK stores. In addition, the increased homogenisation of consumer product preferences across European markets appeared to facilitate the transition of retail firms from one country to another (Treadgold, 1991; Johnson and Allen, 1994). Furthermore, the

opportunities of monopolistic profits as a result of being the pioneer within a market, (particularly the markets of Eastern European), have been recognised as important, but often neglected incentives (Dawson, 1994).

The work of Blumie (1994), which considered the internationalisation activities of Swiss retailers, emphasised the importance of political integration within Europe to retailer internationalisation, as retailers seek to take advantage of the reduction in obstacles limiting the movement of capital and goods between markets. Furthermore, the increase in consumer mobility proved to be a factor which encouraged Swiss retailers to move outside their home market, in order to balance losses in the home market, brought about by the increase in cross-border shopping by Swiss nationals into neighbouring European Union member countries.

Alexander (1997) provided a comprehensive, but not exhaustive listing of the significant 'push' and 'pull' factors associated with retailers' international expansion. In addition, he also emphasises the fact that these factors do not exist in isolation, but are mutually inclusive. Indeed, these factors serve to delineate the political, economic, social, cultural and retail structural conditions of the period. Table 3.2 summarises the key 'push' and 'pull' factors and sets these within their wider environmental context.

Boundary	Push	Pull
Political	Unstable structure, restrictive regulatory environment, anti-business culture dominant, consumer credit restrictions	Stable structure, relaxed regulatory environment, pr-business culture dominant, relaxed consumer credit regulations
Economic	Poor economic conditions, low growth potential, high operating costs, mature markets, small domestic market	Good economic conditions, high growth potential, low operating costs, developing markets, property investment potential, large market, favourable exchange rates, depressed share prices

Social	Negative social environment, negative demographic trends, population stagnation or decline	Positive social environment, positive demographic trends, population growth
Cultural	Unfamiliar cultural climate, heterogeneous cultural environment	Familiar culture reference points, attractive cultural fabric, innovative business / retail culture, company ethos, an homogenous cultural environment
Retail Structure	Hostile competitive environment, high concentration levels, format saturation, unfavourable operating environment	Niche opportunities, company owned facilities, 'me too' expansions, favourable operating environment

Table 3.2 : Push and Pull Factors behind Retailer Internationalisation   Source : Alexander, (1997).

Other than the 'push' and 'pull factors, the literature also acknowledges the importance of facilitating factors which support and enable retailers to successfully internationalise. Among the facilitating factors identified are those which relate to corporate philosophy and the vision of senior management to succeed abroad, the accumulation of in-company expertise, financial stability and capability and expertise in communication and data technologies (Treadgold 1988, 1989; Davies and Treadgold, 1988)

Other studies have provided classifications of the inducements which encourage retailer internationalisation, and these are clearly founded upon the 'home market push' and 'foreign market pull' premise. Tordjman and Dionisio (1991) classified retailer motives in terms of constraints and opportunities, the former relating to issues such as market saturation and legislation aimed at restricting growth, and the latter to the opportunities that a foreign country can provide for the development of an international image and increased profitability. Tordjman (1994) provided a refinement of the earlier classification by identifying external motives, such as the emergence of homogenous consumer tastes, saturation of national markets, improvements in logistics and international information exchange and internal motives

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which include the exploitation of brand image and corporate know-how over a wider range of markets.

Alexander (1997) noted that from the late 1980's onwards, empirical research appeared to challenge the premise that retailer internationalisation was principally a reactive response to negative internal market conditions. Williams (1991, 1992) in his analysis of the international activities of British retailers suggested that while the underlying motivations were multi-faceted, for the majority of companies the desire to move into foreign markets was essentially pro-active in nature, driven by the desire to obtain profit growth through the exploitation of a trading formula felt to have pan-national appeal. Issues of home market saturation and limited growth opportunities were far less apparent as motivations for such expansion. Other studies, undertaken by Alexander (1990, 1995, 1996) and McGoldrick and Fryer, (1993) likewise suggested that the international participation of British and other European retailers was proactive and growth-orientated. Research examining the growth in foreign market expansion by European retailers has identified the significance of conducive market conditions, particularly for those firms able to gain competitive advantage by operating within niche markets (Treadgold, 1989a, 1989b; Treadgold and Gibson, 1989).

One explanation for the seeming change in priorities is provided by McGoldrick and Fryer (1993) who suggested that a retailer's motivations for international involvement change over time for as a company becomes more experienced and confident in their international involvement, so then their motives alter and issues of foreign market opportunity and the desire to further exploit their trading competencies become more important. Within this context, Alexander (1995) suggested that for those retailers that had initially become involved in

international activities in the past two decades for reasons mainly of home market saturation, the motivation to continue foreign market expansion in the 1990's was likely to be now driven by the desire to maximise the opportunities available to them in other countries. Therefore, the 'pull' factors of retailer internationalisation are likely to become more significant as firms become expert in foreign market trading.

In recognising the different and conflicting positions of the 'reactive and proactive schools', Alexander, (1994, 1995) argued that much of the divergence may be attributed to contextual and methodological factors. The assumptions of the reactive school were founded during a period of economic recession, and the research methodology adopted by academics at this time was to adopt the more distant 'tracking approach', whereby the understanding of international expansion was based largely upon secondary data. In contrast, the proactive school's perspective was developed at a time of relative economic prosperity and their research approach was empirically based, potentially allowing for a more intimate understanding of the internal processes and thinking of the retailers under scrutiny. Indeed, Williams (1992) argued that the reactive school's approach is based largely upon generalisations based upon the international activities of European retailers as a whole and does not necessarily reflect the actual experience of internationalising retailers at the level of the individual firm, or within different national markets and operating environments. As such, Williams contends that recent and future motivations for international expansion will be founded upon the desire to capitalise upon the opportunities afforded by an internationally appealing offer rather than for reasons of market saturation.

Williams (1991, 1992) has provided a comprehensive investigation of the retailers' internationalisation motives, and concluded that these ought to be considered in terms of four dimensions : internationally appealing / innovative retail offer; proactive and growth-orientated; limited domestic growth opportunities; and passive motivations. However, at the heart of Williams' assessment is the recognition that retailers' internationalisation motives are multidimensional in nature, and that the 'push / pull' dichotomy, although widely accepted, in fact fails to adequately represent that inherent complexity.

Mindful of these prior criticisms, Alexander (1995, 1997) provided a motivational structure for retailer internationalisation. Incorporating the two primary methods of examining retailer motivations, the reactive and the proactive, the conceptualisation emphasises the importance of domestic market saturation and the global relevance of the operation, and provides two further categories; the expansive and the autochthonic. Figure 3.1 provides a representation of Alexander's conceptualisation of the structure of international motivations.

High

S
a
t
u
r
a
t
I
o
n

Low

```
              Reactive              Expansive

              Autochthonic          Proactive
```

    Low   Global Relevance   High
                  of Operation
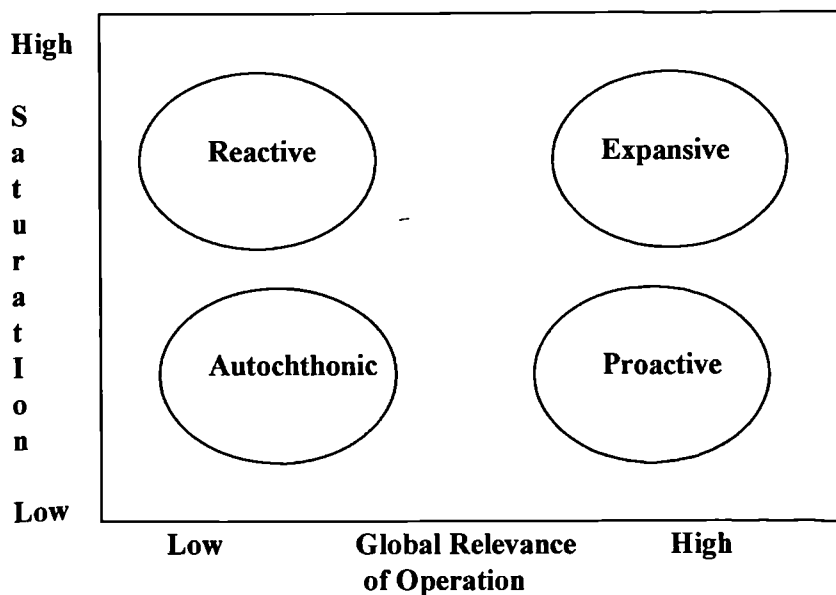
Figure 3.1 : Internationalisation : motivational structure. Source : Alexander, (1995).

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Alexander's matrix identifies four motivational positions, which are defined as follows:-

Autochthonic : the retailer has reached a point in the development of the domestic operation where saturation in the market of origin is unimportant, and the retailer's operation has limited potential within the global environment.

Reactive : the retailer has reached a point in the development of the domestic operation where saturation in the market of origin is important and the retailer's operation has limited potential within the global environment.

Expansive : the retailer has reached a point in the development of the domestic operation where saturation in the market of origin is important, and the retailer's operation has considerable potential within the global environment.

Proactive : the retailer has reached a point in the development of the domestic operation where saturation in the market of origin is unimportant, and the retailer's operation has considerable potential within the global environment. Alexander, (1997) (p. 133-134).

This schema allows for a more inclusive understanding of retailer internationalisation in that it accommodates the possibility of retailers internationalising from different stages in their domestic growth, and recognises that smaller retailers can expand abroad, and that it is not only negative factors which prompt internationalisation. (Alexander, 1997).

Returning again to the significance of temporal dimensions to any study of retailer internationalisation, Alexander (1995) suggested that in the 1970's and 1980's, many retailers were essentially reactive to international involvement and embarked upon geographic expansion because of diminishing home market opportunities. This reticence on the part of European retailers to internationalise is, according to Alexander, reflected in the academic literature of the time which is largely based upon, and confined to, the experiences of retailers in that period and immediately before.

Examining empirical research undertaken in the late 1980's and early 1990's by Alexander (1990) and Williams (1992), it would seem that in this later period retailers were more likely to take a more proactive approach to international development and were not forced to consider

foreign market involvement because of regressive sales growth or saturation within the home

market. Indeed, rather than being attracted to foreign markets by virtue of their freer taxation

regulations, share prices or land availability, Alexander (1995) argued that these proactive

retailers were more likely to identify the importance of niche opportunities, growth prospects

and the size of the non-domestic market alongside the potential for international success for

their retail formula, (the format and merchandise), that they were able to offer the new market.

As a result, it is Alexander's contention that this wave of internationalising retailers'

motivations for foreign market participation were more likely to be based upon their confidence

in the worth and appeal of their operations, format and product, as opposed to reasons of home

market restriction, saturation, competition or maturity.

Before concluding this section on retailers' motives for foreign market involvement, it is

important to re-emphasise the fact that retailer internationalisation is not confined to the

operation of stores within foreign markets. The most common form of retailer foreign

involvement arises from the international sourcing of products, the frequency and extent of

which has been to increase as retailers expand their foreign operations (Lui and McGoldrick,

1995). A variety of reasons have been offered to explain why retailers elect to source raw

materials and finished products from foreign suppliers. Dawson (1994) provided a review of

the motivations that encourage retailers to engage in international sourcing, and suggested that

comparatively low prices are a major consideration. By virtue of their comparative low

production costs, (attributable, in the main to low labour costs), foreign manufacturers,

particularly from the emerging economies, are able to secure orders from large Western

retailers. In addition to low cost incentives, retail buyers may buy from abroad for reasons of

superior product quality or may be compelled to do so because of the power of certain foreign

brands. Dawson also emphasised the significance of product availability and suggested that as

retail companies grow in size, they need to purchase from non-domestic producers in order to satisfy their merchandising requirements. This is further compounded by import quota restrictions which seek to control large-scale importation from a single source, and necessitate that the retailer purchase from a variety of countries in order that customer demand can be met.

The literature on the motivations for retail internationalisation serves to underline the complex range of issues that influence a retailer's decision to expand abroad. It has been suggested that these reasons change over time, and are dependent upon the firm's organisational competency, environmental circumstances, as well as the stage reached by the retailer in terms of international development. It is clear that two schools of thought exist, and it could be argued that the 'reactive' school perhaps best explains the wave of retailer expansion in the early 1980's, while the proactive school best describes more recent developments.

3.3   HOW ARE RETAILERS DEVELOPING INTERNATIONAL OPERATIONS?

The 'how' of retailer internationalisation is multi-dimensional and is a feature of the inherently complex nature of retailers' foreign market involvement. In terms of the internationalisation of store operations, the 'how' question implies a consideration of the stages of development that companies follow in order to establish and appropriately configure their direct involvement within a foreign market. This, in turn, necessitates some reflection upon the market entry mechanisms that these retailers employ, as well as the strategies that they use in order to control operations abroad.

However, mindful of Dawson (1994) assertion that the internationalisation of retailing is apparent not only within the internationalisation of store operations, but also through the internationalisation of buying and management know-how, the 'how' of retailer internationalisation necessitates a wider discussion beyond that of store operations. Indeed, as Sparks (1996) suggested, these principal dimensions of retailer internationalisation are inextricably linked. Therefore, so as to obtain a clear, comprehensive and inclusive understanding of the processes inherent to the internationalisation of retailing, this section will consider not only the 'how' of the internationalisation of retail operations, but will progress to examine the 'how' of the internationalisation of sourcing, and then the 'how' of the internationalisation of management expertise and capability.

3.3.1   The Internationalisation of Operations - The Stages Approach.

A variety of theories, termed 'Stages' theories (Davies and Fergusson, 1996) have been developed in order to delineate the process of international expansion adopted by firms, the most notable interpretation of which is the Uppsala Model, (Johanson and Weidersheim-Paul,

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1975; Johanson and Vahlne, 1977; 1990), which is derived from the behavioural theory of the firm proposed by Aharoni, (1966). The premise of the Uppsala Model is that businesses, (particularly those associated with manufacturing), take an incremental, 'step-by-step, country-by-country' approach to international involvement. Figure 3.2 illustrates the stages of international development proposed by the Uppsala Model.

Stage 1.	The firm starts with no regular export activities to the foreign market. Regular exporting begins through an intermediary, normally a representative from the foreign market who recognises the potential of the firm's product within the foreign market.
Stage 2.	Export to the foreign market increases and requires the establishment of a sales subsidiary. As demand increases, the exporting company begins to seek greater control over sales and distribution within the foreign market
Stage 3	The exporting company becomes fully involved in the foreign market, often with direct investment in the form of a manufacturing plant in order to satisfy demand within the foreign market.

Figure 3.2 : The Stages of the Internationalisation of the Firm. Based upon Johanson and Vahlne, (1990)

As each stage is reached, the level of information about the foreign market increases and this prompts increased confidence on the part of the exporting firm, which gives rise to higher levels of resource investment, normally in the form of direct market involvement and prompts the desire to obtain closer control over trading activities within the foreign market. The Uppsala Model, in recognising that international involvement invariably occurs in small steps so that firms can best manage the perceived risks associated with international trading, also predicts that in the preliminary stages of internationalisation, firms will expand into geographically close and culturally similar markets. As their confidence in international trading grows, they "will enter new markets with successively greater psychic distance" (Johanson and Vahlne,1990).

Johanson and Vahlne (1990) identify three important exceptions to this incremental approach to internationalisation. The first relates to the size of the internationalising firm, whereby large firms, with extensive resources can be expected to "make larger internationalising steps", their resource capability means that they are not restrained by the risks normally associated with market inexperience or cultural dissonance. Secondly, they suggest that if a market is economically and politically stable, and the market trading conditions conducive, then extensive market knowledge is not necessarily a pre-condition for market entry. Finally, a firm that has had experience from other foreign markets that share similar trading conditions as the target market, then it is possible to use this general market experience as a means of predicting and managing the likely trading situation within a specific market.

In section 2.4.1. of the previous Chapter, which considered the direction of retailer internationalisation, Treadgold's (1990) conceptualisation of the stages in the development of retailers' international operations was introduced. (See Figure 2.3). Treadgold suggested that retailers' typically internationalise in three stages, and are initially reluctant to become involved in foreign markets. From this stage they then become cautious international players, and finally, as a result of success and confidence, they enter a stage characterised by ambition and confidence.

The various stages theories, of which Treadgold's may be included, have been variously criticised, as was also detailed in Section 2.4.1. However, regardless of the doubts concerning their accuracy and suitability, their value has been recognised in so far as they provide some indication that the strategies, management practices and market entry methods that internationalising retailers use change over time in response to altered conditions within firms, between firms and their international partners, and trading markets in general (Lualajainen,

1992). Consequently, the stages models, and Treadgold's (1990) model in particular, serve to highlight that the 'how' of retailer internationalisation is organic in nature, and is responsive to changes within the task and macro environments (Dawson, 1994; Alexander, 1997).

3.3.2 The Internationalisation of Operations - The Strategies.

The wider literature relating to the internationalisation of business highlights the fact that the strategic approach that a firm chooses to adopt in order to operate within foreign markets is dependent upon a complex series of decisions in respect of the firm's attitude towards adjustments to their marketing mix, their policies related to the power of decision-making and the control that they require over foreign market operations (Levitt, 1983; Onkvisit and Shaw, 1987; Johnson and Czinkota, 1982; Christensen at al, 1987).

Within a retailing context, Sparks (1996) suggested that the strategies that retailers adopt for internationalisation and the methods of foreign market entry that they use, reflect the variations in the degree of direct involvement and control required by the retailer and the level of knowledge and transfer borrowing, in relation to management expertise and business ideas, that may exist between the entering retailer and associates within the local market. Similarly, the internationalisation strategy and the market entry strategies that are adopted are linked to the place of decision-making for the retail business operating within the host country (Dawson, 1994).

Treadgold (1988) identified a range of strategic options available to a retailer seeking to operate within a foreign market and suggested that the manner in which a company entered a market and conducted operations served to reflect the availability of resources for foreign market development and the degree of operational control they sought to retain over foreign

operations. Recognising that a high degree of control implies a high cost entry strategy and that a low cost entry approach necessitates a considerable loss of control, Treadgold identified three strategic options for the development of foreign operations. The first is a high cost / high control strategy, adopted mainly by firms with limited foreign market experience, which can be achieved through organic growth or the outright acquisition or dominant shareholding of a company currently operating within the foreign market. The alternative approaches include a medium cost / medium control strategy, achieved normally by joint venture arrangements or a low cost / low control strategy, achieved through a franchise arrangement.

The themes of resource availability, the degree of control required by the internationalising retailer and the extent of their experience in foreign market trading, identified by Treadgold (1988), are also apparent in the review of retailer internalisation strategies provided by Salmon and Tordjman (1989). Without doubt, their work has proved to be highly influential to the understanding of the strategic approaches adopted by retailers in respect of internationalisation (Dawson, 1994; Sparks, 1996).

Salmon and Tordjman (1989) identified three strategic approaches to retailer internationalisation : **international investment, global and multinational,** and suggest that a retailer's choice of strategy is ultimately dependent upon the trading characteristics and internal competencies of the company. The **international investment strategy** involves the transfer of capital from one country to another, with the aim of acquiring part-share or total shares in another operating company. Retailers typically adopt this approach in the early stages of their international involvement in order to diversify their business for reasons of financial and political risk, to gain rapid market share within countries where the organic development of a chain of outlets would involve high risk and high cost, as well as to obtain the trading

advantages inherent to that market. A variety of studies have highlighted that this internationalisation strategy has been adopted by British retailers, (Wrigley, 1989, 1993, 1996; Alexander 1995; Hamill and Crosbie, 1990), especially British grocery retailers seeking to enter the North American market through the acquisition of existing firms.

Accordingly, Salmon and Tordjman (1989) assert that the type of retailer likely to use this type of international growth strategy would typically be large, highly diversified within their own domestic market (although this was clearly less evident among internationalising British grocery retailers, Burt, 1993; Wrigley, 1998, 1999), and are committed to exploiting the growth opportunities available within foreign countries. mainly through the part-acquisition of existing retail chains and other businesses.

The internationalising retailer typically must respond to two conflicting pressures. The first is to adapt to local market conditions in order to fully respond to the needs of consumers, while the second is the desire to benefit from operational scale economies (Salmon and Tordjman, 1989). Following from Levitt's (1985) assertion of the world-wide convergence of consumer needs and wants, retailers who follow the second of Salmon and Tordjman's strategies, **the global strategy**, do so on the basis that they have access to consumer groups with shared lifestyle characteristics and purchase requirements, independent of their place of residence. A global strategy is defined therefore as a faithful replication of a trading concept abroad, and involves the standardisation of the retail marketing mix and the faithful replication of the same product range, communications methods, corporate identity, service and price levels within all stores, regardless of their geographical location.

The types of retailer to use this strategy include specialist chains with a clearly defined corporate image and market positioning, often with a strong own-brand and possibly with a

unique product range or trading format. Companies that operate through franchising, such as McDonalds, and chains such as Benetton, Laura Ashley , Marks and Spencer and Ikea are all identified by Salmon and Tordjman as exemplars of organisations that have internationalised by replicating a standardised marketing mix. Product exclusivity, the influence of a founding personality, (such as Laura Ashley within her company), the interplay between the product on sale and the store environments within which they are sold, all serve to shape the distinctive characteristics which are central to the success of a global strategy. In addition, Salmon and Tordjman highlighted the significance of an integrated supply chain and suggested that the most successful global retailers exert considerable influence over the design and quality standards of their products so that the reputation of their corporate brand can be managed and controlled at all times. Consistency in terms of all dimensions of the retailer's positioning is highly significant for the global retailer and can only be achieved through high levels of centralisation. Consequently, successful global retailers seek to retain and centralise tactical and strategic decision-making and the standardisation of their activities provides for economies of scale through the consistent replication of store format elements, marketing communications, product development and management control systems. In order to facilitate this centralisation, global retailers must invest in computerised management information systems in order to monitor and control the flow of stock and information.

There are also disadvantages associated with such centralisation and these are identified by Salmon and Tordjman (1989) as those related to inflexibility in responding to local market needs which may result in the non-identification of market trends, demotivation and a lack of commitment among local management, as well as the danger of being associated with a particular specialisation which may leave the company vulnerable in the face of competitor attack or changes in consumer attitudes.

A variety of studies have examined the utilisation of globalisation strategies by retailers and have questioned the extent to which this approach is viable within a retailing context. Waldman (1978) argued that environmental differences, such as those related to consumer culture, competitive conditions and economic and legal restraints, made standardisation of the retailer's marketing mix across a range of markets impossible to achieve. Similarly, Martenson (1987) suggested that, while a retailer may be able to achieve a pan-national replication of their core trading values and philosophy, it is unlikely that they will, at the same time, be able to achieve the successful implementation of a standardised trading approach.

The third internationalisation strategy identified by Salmon and Tordjman (1989) is **the multinational strategy** which seeks to preserve a basic trading concept or image across a range of geographically dispersed markets, but also adapts the formula to fit local market conditions and the expectations of local customers. Salmon and Tordjman identify C&A as an example of a multinational retailer. Within all of the countries that C&A trades, the company operates the same basic strategy of offering recognisable ranges of clothing for men, women and children, inexpensively. However, at a national level, the firm's marketing mix elements are adapted to suit local needs. As a result, each country has its own range of products, pricing and margin policy while advertising and promotions methods are adapted to suit local market conditions.

While C&A are identified as a retailer that adapts their positioning mix to best suit national characteristics, French hypermarket chains, with representations across Europe, are identified by Salmon and Tordjman, (and latterly by Dupuis and Prime, 1996), as having adapted their marketing mix elements at a regional level and increasingly at store level. This allows local managers the flexibility to select products and adjust prices in response to near trading

environments. In order to respond to local conditions, multinational retailers develop decentralised management control structures, based upon a clear demarcation of responsibilities, whereby strategic decision-making resides with the parent company and is undertaken in the home country. Tactical and operational decisions are delegated to local management teams, either at national, regional or local level. This devolution of power to the host nation requires a management team that is able to identify local market trends and credibly respond to these through their marketing mix decisions. However, while this may suggest a loosening of centralised control on the part of the internationalising retailer, Salmon and Tordjman emphasise that firms still retain control over the original business concept, using formal and informal communications channels, such as through the deployment of parent company personnel to co-ordinate and 'head-up' local operations. In such cases, the devolvement of power from the retailer's central administration can prove to be somewhat limited.

As a result of pursuing a multinational strategy, Salmon and Tordjman (1989) have identified three principal strategic consequences. The first is the scale of investment, (both in terms of time and financial resources), required in order to open each new shop, adapt the offering to suit local market conditions and recruit management capable of undertaking such initiatives, is so significant that it invariably limits the speed of replicating such formats. Secondly, because of their adaptive techniques, multinational retailers fail to benefit from the economies of scale associated with retailing, supply and advertising to the extent that is achieved by global retailers, although those retailers that develop a large local presence within one country or region, may benefit from scale economies within these markets. Thirdly, but not to their disadvantage, the multinational retailer, through the range and diversity of their market

involvement and experience, may be able to integrate the know-how techniques and best practice found within foreign markets into their domestic and international business strategies.

Salmon and Tordjman predicted that the multinational retailers would gain market share within markets where the international procurement of goods is inhibited by the physical characteristics of the products, such as in relation to size or perishability. As such, the multinational retailer is expected to grow in significance within the food sector and other product categories that are less subject to abrupt changes in consumer tastes and lifestyle features. However, it is also their contention that it is the global strategy that will realise the greatest growth rate which is partly attributed to the increased homogenisation of consumer groups around the world and the homogenisation of standards which will serve to facilitate the distribution of products between countries. Treadgold (1990) also predicted that the multinational approach would increase among retailers who seek to satisfy the requirements of local consumers while maintaining cost and scale economies where possible.

Dawson (1994) in a review of Salmon and Tordjman's typology, and specifically their choice of C & A as a classic example of a multinational retailers, argued that, while C&A may seek to adapt their marketing mix to suit local market conditions, any changes that are made happen in the context of a corporate brand framework that is both highly defined and uniform in its application. The elements of C & A's brand identification, store interiors and corporate colours are consistent across all countries and while products may vary across markets in terms of their type and design, there is nevertheless a constancy in their styling and quality that is in keeping with the overall image of the C&A brand and their market positioning. Any devolvement in power is likely to be operational and possibly tactical in nature and the flexibility that does exist is constrained by the prescriptive nature of the C&A brand identity.

Therefore, Dawson proposed that there is a case to be made which sees globalisation and multinationalisation, not as two discrete and mutually exclusive approaches to transnational expansion, but instead as a continuum which marks the extent to which a retailer's proposition is both capable and required to adapt to the needs of the foreign market. This continuum extends between the extremes of a standard global identity and a locally tailored one, and where a retailer is positioned on this scale is dependent upon nature and importance of the retailer as a distinct brand entity, both at corporate and product level. Where the brand is regarded as central to the identity of the retailer and is clearly positioned within the mind of the actual and potential consumer, then the retailer is more likely to follow a global strategy. But even within such a prescriptive strategy, there is the possibility that the operational and tactical elements of the retailer's positioning may be altered to suit the trading environment of the non-domestic market. As such, Dawson proposed that Salmon and Tordjman's (1989) classification must be 'loosened' and perhaps not taken as literally in order to adequately reflect the reality of international retailing.

3.3.3 The Internationalisation of Operations - The Market Entry Methods.

Dawson (1994) identified five methods to achieve the internationalisation of operations and these can be identified as follows :-

- Internal expansion, whereby individual stores, invariably using the same format as that used within the home country, are opened using in-company resources to do so;

- Merger or take-over, involving the acquisition of control over an existing retail store or chain within the host country;

- Franchising, in which the retail formula and ideas of the franchiser from the originating country are replicated by the franchisee in the host country;

- Joint-ventures, which can take a variety of forms, including in-store concessions, involving the letting of retail space by an established retailer in the host country to a foreign retailer and joint development activity between two entrant firms into the host country or between an entering and indigenous retailer. Dawson suggested that this often results in one partner buying the other(s) out in order to maintain their position within the market;

- Non-controlling interest, but which may include an operationally influential interest in a firm within the host country by a firm in the home country.

Treadgold (1991), Dawson (1994) and Sparks (1996) provided critical reviews of the relative advantages and disadvantages inherent to each of these entry methods. Table 3.3 provides a review of the advantages and disadvantages of the alternative mechanisms of establishing international operations.

Entry Method	Advantages	Disadvantages
Internal Expansion	Can be undertaken by any size of firm. Experimental openings are possible with minimum risk and often modest cost. Ability to adapt operation with each subsequent opening Exit is easy (at least in early stages). Allows rapid prototyping.	Takes a long time to establish a substantial presence. May be seen by top management as a minor diversion. Requirement to undertake full locational assessment. More difficult if host country is distant from home market.
Merger or take-over	Substantial market presence quickly achieved. Management already in place. Cash flow is immediate. Possibility of technology transfer to home firm. May be used as a way to obtain locations quickly for conversion to the chosen format.	Difficult to exit if mistake is made. Evaluation of take-over target is difficult and takes time. Suitable firms may not be available. Substantial top management commitment necessary.
Franchise-type agreements	Rapid expansion. Low cost to franchiser. Marginal markets can be addressed. Local management may be used. Wide ranges of forms of agreement available. Use locally competitive marketing policy. Overcome entry barriers.	Possibly complex legal requirements Necessary to recruit suitable franchisees. May become locked into an unsatisfactory relationship.
Joint-ventures	Possible to link with firm already in market. Help available in climbing learning curve. Possible to move later to either exit or make full entry into the market.	Necessary to share benefits. Difficulties in finding a suitable partner.
Non-controlling interests	Find out about market with minimal risk. Allows those who know the market to manage operation.	Passive position. Investment made with little influence over activities.

Table 3.3 : Advantages and Disadvantages of Alternative Mechanisms to Establish International Operations. Source : Dawson, (1994)

Various studies have identified a link between the internationalising retailer's market position,

trading format and international strategy, with the method of market entry selected (Burt, 1993;

Dawson, 1994). In recognition of the fact that retailers may elect to adopt a variety of modes of foreign market entry, Treadgold and Davies (1988) argued that the method of foreign market entry adopted by a firm serves to reflect, (and is influenced by), the internal competencies of the retailer as well as the trading conditions they perceive to exist within the foreign market. In particular, the selected entry method indicates the level of control that the retailer seeks to exert over their foreign operations, the degree of flexibility required in order to effectively respond to market conditions that their foreign enterprise may face, as well as the amount of resources that the retailer wishes to allocate for overseas expansion.

Sparks (1996) presented the variety of possible entry mechanisms as a continuum, ranging from the direct involvement of a business in expansion using internal resources to fund store openings to less direct involvement achieved through non-controlling interests. This continuum represents, according to Sparks, not only differences in the degree of retailer's direct involvement and control over the foreign operation, but also variations in the degree of perceived risk associated with such participation. Thus, for example, growth by means of internal expansion is characterised by a high degree of control and knowledge transfer from the home market to the host, while franchise relationships present lesser degrees of risk, and fewer opportunities for host market control and knowledge transfer for the internationalising retailer.

Treadgold and Davies (1988) sought to establish the relationship between the level of control a retailer may obtain from the various entry modes available and identified that high levels of control could be obtained from internal growth measures, medium control from joint ventures and franchise arrangements and low control from non-controlling investments. It is their contention that where the financial investment is high, the retailer will seek to retain maximum control over foreign operations, while lower control involvement is accepted whenever the

distance between the home and host market is great, the local market in turbulent or the retailer's experience of international involvement is low.

There are a number of studies however, that suggest that Treadgold and Davies (1988) review is not entirely accurate. For example, Burt (1993) found that British retailers, with limited international experience, have tended to engage in high risk entry strategies, as evidenced in J. Sainsbury's acquisition of the Shaw's supermarket chain in the USA, (Alexander, 1994), and Marks and Spencer's acquisition of New York based Brooks Brothers chain in the 1980's (Whitehead, 1991). In such cases, it is obvious that the issue of management control is not the only influence upon market entry decisions, but other considerations, such as the desire to obtain rapid market entry and development or the desire to maximise the foreign market opportunities afforded by a strong brand image, may lead the retailer to expand through franchising agreements, even at an early stage in their history of foreign market involvement (Dawson, 1994).

A number of studies have examined the extent of the adoption of the various entry modes by internationalising retailers. Alexander (1989) found that organic growth and acquisition were the preferred mechanisms for British retailers entering into other European markets. Burt (1993) tracked the expansion of British retailers in the preceding three decades and similarly found that organic growth and acquisition were the dominant entry methods, but also noted that franchising has emerged as a popular alternative. In an extensive review of the methods of entry adopted by the world's international retailers in the period 1990-1993, Knee (1993) found that organic growth was the most consistently popular method of entry to be adopted.

3.3.4 The internationalisation of sourcing.

The previous three sections considered the processes inherent to the internationalisation of retail operations. Mindful of Dawson's (1994) assertion that the internationalisation of sourcing by retailers is an integral dimension of the internationalisation of retailing as a whole, it would be inappropriate within this review of the literature not to consider the processes inherent to the internationalisation of buying.

As has been identified previously in this chapter, there are a variety of factors which serve to impact upon the decision to source from abroad, and these typically relate to issues of price, variety, quality and availability (Dawson, 1994; Whitehead & Mok, 1995; Liu & McGoldrick, 1995). There are a range of methods that can be adopted in order to facilitate international buying and these include indirect sourcing from foreign markets through visits to international trade shows, wholesalers and agents, and through direct means, including international buying offices set-up by the retailer in foreign countries for the purpose of recruiting suppliers, overseeing production and managing product supply and availability (McGoldrick, 1990; Diamond, 1991; Liu and McGoldrick, 1995, Varley, 2000). In addition, international sourcing can be achieved through the establishment of international buying groups and networks which seek to link manufacturers, wholesalers, agents and retailers across national boundaries (Robinson and Clarke-Hill, 1993, 1995).

Developments in information and communications technology have been identified as important facilitating factors leading to the development of increased international sourcing and electronic data interchange (EDI) has improved the links between retailers, product designers and manufacturers, allowing for the emergence of integrated, pan-national supply chains that can efficiently respond to consumer demand (Diamond, 1991; Burt and Dawson, 1991;

Dawson, 1994, Liu and McGoldrick, 1995). Dawson (1994) argued that the search for benefits in relation to product sourcing and buying is the single most important motivation that encourages retailers to form domestic or international alliances, and he identified three types of buying alliance. The first is created by domestic retailers who seek to combine their buying power in order to become large enough in order to source on an international basis. These domestic buying groups may join with national alliances from other countries to form the second type of buying group identified by Dawson. These consortia of pan-national buying groups operate to improve the effectiveness of their sourcing, and examples can be found within the electrical sector, where the buying group, Expert, in the early 1990's, brought together national buying groups from thirteen European countries to improve the efficiency of members' sourcing and own-brand development. The third type of buying group involves one large retailer from each of several countries combining to achieve buying economies, an example of which is the AMS Group, (Associated Marketing Services), which in the early 1990's brought together ten retailers from different countries.

Dawson (1994) argued that the development of international buying alliances was primarily an attempt to counterbalance the power of manufacturers who have, through the pursuit of 'merger' strategies, sought to maximise the extent of their power and control within the retail supply chain. Furthermore, Dawson noted that much of the previous academic research in the area of international sourcing related to the manufacturing sector, and argued that manufacturer buying decisions were significantly different from those in retailing in terms of :

- the number of items sourced - usually much greater with retailers;
- the number of suppliers used - usually larger with retailers;
- the executive powers of the buyer - generally higher with retailers;
- the criteria used to evaluate both a product and a supplier (p. 25).

In response, Dawson proposed a two-dimensional stage model of sourcing by retailers. One

dimension, comprising of four stages, initially involves domestic sourcing and the use of

wholesalers for products of foreign origin. The second stage involves the use of agents who

source abroad on behalf of the retailer. The third stage involves the establishing of a foreign

buying office, which acts as a facilitator for head office-based buyers. The final stages involves

the creation of a world-wide network of buying offices that supply information, check product

quality and manage transportation.

The second dimension of Dawson's model comprises of three stages. The first is when the

retailer operates independently and has their own sourcing activity. The second stage involves

their collaboration with other retailers in a domestic alliance in order to obtain economies of

scale through consolidated buying. The final stage involves the creation of an alliance with

retailers from several countries. Dawson explained that retailers may operate at different

points in this model, that they generally move from lower to higher stages, and that the two

dimensions are conceptually independent of each other. He did however, acknowledge that the

model was developed from limited published materials and that there was a need to empirically

test it.

Liu and McGoldrick (1995) developed a model of the operationalisation of international

sourcing and this is presented as Figure 3.3 below.

Retail buyers' decision-making process for international sourcing

Customer Needs / Demand Analysis   Corporate Objectives

Product Assortment requirements / specifications

Analysis of quantity, timing and back-up

Merchandise from domestic suppliers   Merchandise from international sourcing

Domestic   Source   Research countries and suppliers
manufacture   Internationally

Own Factories   Import unfinished   Country and supplier selection
abroad   merchandise

Outward Processing   Formulate buying strategies

'Domestic Sourcing'   Place Orders

                                                   Evaluate Outcomes

                                                   International Sourcing

Figure 3.3 : International Product Sourcing Process (Source: Liu and McGoldrick 1995).

The starting point for the process of international sourcing, as for domestic sourcing, is the identification of customer requirements, based upon available internal and external market information. From this, and within the context of the retailer's corporate objectives and positioning aspirations, decisions are made with regards to the breadth and depth of the required product assortment and plans are formulated detailing the quantities of product required, the buying margin that must be achieved and the timing in which the products must be available for sale. As the above model indicates, retailers have a choice of either sourcing

from domestic suppliers or from international manufacturers. Retailers may elect to source

within the domestic market to obtain the benefits of shorter lead and transit times, the ability to

monitor production processes and quality more closely, and reduce the costs normally

associated with effectively communicating and managing a foreign source of supply. Various

studies have indicated that, within the clothing sector in particular, retailers are prepared to pay

a cost premium, (of as much as 15%), in order to secure the benefits of home market sourcing

(Scheffer, 1992; Salmon and Texaco, 1991).

Lui and McGoldrick (1995) stated, however, that while a retailer may elect to source from a

domestic supplier, it is likely that the supplier will themselves source raw materials

internationally and sub-contract production to foreign companies for product or garment

assembly. These products are then returned to the original supplier's factories where the goods

are finished, pressed and packaged for delivery. By adopting this approach, suppliers,

particularly within European Community countries, have been able to label their garments as

having been made within the home market, despite the fact that the substantive manufacturing

processes occurred elsewhere (Hines 1995).

Rather than indirectly source internationally through domestic brokers and agents, retailers can

source directly from foreign manufacturers. The first stage of this involves the identification of

merchandise which is appropriate for foreign sourcing. The second involves the identification

of appropriate source markets. Previous research has suggested that retailers may source from

a variety of countries because their order requirements are so great that they have to extend

their sourcing over a range of countries to spread their risk and meet demand or because certain

markets have a recognised reputation for expertise in the manufacture of certain goods. For

example, Italy dominates the high fashion branded-wear market, while Hong Kong is a popular

source for retailer's own-brand merchandise (Harris and Heppell, 1991, Whitehead and Mok, 1995).

The critical third stage is the selection of actual foreign suppliers and a variety of studies have suggested that these decisions are based upon a range of important issues, some of which relate to the supplier's strategic competence in relation to financial management, research and development and production expertise. Operational issues that may be considered include the suppliers' selling history, client lists, mark-up, delivery and quality reputations, and the exclusivity deals that they can offer a retailer (Wagner at al, 1989, Carter and Narasimhan, 1990).

The final stages of the process of international sourcing involves the retailer's development of a purchasing strategy, (which covers the volume, frequency, time of delivery and distribution channel required by the company), the negotiation of price and other terms of trade, as well as the management of the on-going relationship between the retailer and the foreign supplier. Liu and McGoldrick (1995) stated that in many cases the task of managing foreign suppliers is given over to a buying office situated in closer proximity to the supplier. Affiliated buying offices are staffed by the retailer's own employees, which take the responsibility of identifying potential suppliers for the firm, obtaining quotations from suppliers, managing shipments, negotiating supplier contracts, assuring clear communication between the buyer and the supplier, securing samples, dealing with payments and acting as a general representative of the retailer to the supplier. Independent buying offices also exist and have the task of representing a number of often smaller, independent retailers and tend to deal with issues production, quality and delivery related issues (Liu and McGoldrick, 1995; Whitehead and Mok, 1995).

Liu and McGoldrick's (1995) model provides a useful overview of the stages of international sourcing, but is more appropriate for sectors and product groupings where large manufacturer brands do not dominate and where retailer in-put, such as in the area of product design for own-brand merchandise, is required. In addition, their model does not fully take account of the fact that the search for a new supplier is a costly process and that retailers often prefer to extend the range of products produced by existing suppliers rather than search for a new supplier. In order to facilitate this extension, retailers may invest in the production facilities of their foreign suppliers and provide financial support for staff training and development (Varley, 2000).

3.3.5   The Internationalisation of Retailer Know-How.

Dawson (1994) identified a third route to retail internationalisation, (after the internationalisation of operations and sourcing), which was the pan-national flow of know-how and management expertise. The flow of retailing know-how includes the exchange of ideas, concepts, retail experience and formulae. Kacker (1988) suggested that retailer know-how can be unplanned, such as when one retailer seeks to replicate the practices of another, without any formal collaboration with that company. Alternatively, it can be planned and involve the establishment of purposeful mechanisms, such as the management visits, secondments and joint training initiatives, which facilitate the transfer of business know-how from one company to another.

Similarly, Dawson (1994) categorised the processes for the flow and transfer of ideas and know-how in formal and informal terms. The most significant formal mechanism is through governmental and quasi-governmental initiatives, such as the single-market initiative adopted by European governments which encouraged the international flow of retail ideas in the late

1980's (Filser, 1990). Other formal exchange methods include the activities of trade associations and chambers of trade which often provide a forum for the sharing of information and organise visits to allow retailers to study operations in other countries, and also through management advisors and consultants who disseminate information on current trends and developments. Informally, information can be exchanged through the influence and experience of individuals. The international movements of retail entrepreneurs and managers as they establish new businesses or take-up positions in other countries, as well as the ideas obtained from visiting other retailers, all serve as important methods which contribute to the international transfer of ideas (Dawson 1994).

Pre-conditions, such as those related to minimum levels of economic growth, consumer receptivity to new ideas and flexibility in public policy, are all required in order to ensure the successful transfer of new ideas, (Yoshino 1966; Kacker 1988). However, Kacker maintains that, while two countries may have compatible economic environments, the rate of adoption of new ideas and retailer know-how can be affected by demographic characteristics, public opinion and the actions of local firms. Political and institutional barriers may also inhibit the international exchange of expertise, as might a reticence on the part of local retailers to accept the ideas of their foreign counterparts (Dawson, 1994).

Kacker (1988) stated that while examples relating to the transfer of retailer know-how may appear easy to identify, an actual understanding of the processes which both facilitate and constrain the transference of know-how, is difficult to provide. As a result, he proposed a research agenda which would :-

- examine the required industrial base/infrastructure need in a recipient country in order to achieve an efficient and effective flow of know-how; identify the criteria which would enhance the transferability of a concept to other countries;
- consider the extent to which the flow of know-how is inevitable after acquisition or horizontal extension into a foreign market has taken place;
- examine the extent to which new retailing concepts, introduced by international retailers, have been adopted by domestic retailers and the resultant impact of such introductions on the host country.

3.4 Chapter Summary

This chapter examined the literature related to the motivations and the strategic processes associated with retailer internationalisation. In an attempt to understand the 'why' and 'how' issues of international expansion, the chapter identified that :-

- Retailers are motivated to internationalise for a variety of reasons, some of which emanate from difficult conditions within the home market, while others stem from a desire to exploit opportunities perceived to exist within foreign markets;

- The 'Reactive' and 'Proactive' schools illustrate two differing perspectives on retailer's motivation towards international involvement. The differing positions may be partly attributed to the prevailing economic conditions and the nature of the methodological practices of the time in which these were formulated;

- The internationalisation strategy adopted by a retail firm and the method of market entry that they employ serves to reflect the degree of control that the retailer wishes to retain over foreign operations, as well as the degree of risk and relative importance that international expansion has within the context of their overall business strategy;

- The process of retailer internationalisation is not confined to store operations, and that a variety of mechanisms, such as international buying groups and overseas buying offices, serve to facilitate the internationalisation of sourcing and the exchange of management know-how.

Chapter Four will narrow the perspective on retailer internationalisation by examining the literature relevant to the foreign market expansion of fashion retailers in particular.

CHAPTER FOUR

REVIEW OF THE LITERATURE ON
INTERNATIONAL FASHION RETAILING

Chapter Summary

This chapter reviews the literature related to the internationalisation of fashion retailing. Drawing from the broad themes of retailer internationalisation identified in the previous two chapters, the chapter will consider the application of these within a fashion context. The chapter concludes by identifying propositions for the direction of the first empirical research stage of this study.

4.1. INTRODUCTION

The primary focus of this study is to consider the internationalisation of fashion retailing, particularly within the context of examining the various issues surrounding the entry and trading characteristics of foreign fashion retailers within the United Kingdom market. Directed by the research questions raised by Akehurst and Alexander (1996), Chapters 2 and 3 sought to identify the broad issues surrounding the internationalisation of retailing in general. Revisiting these research questions, this chapter will focus specifically upon their application to the internationalisation of fashion retailing through a review of the relevant literature.

Other than the studies undertaken by Lualajainen (1991); (1992) into the international expansion of the Swedish fashion retailer, Hennes and Mauritz and the globalisation of the luxury fashion accessories retailer, Louis Vuitton Malletier respectively, and the more recent work of Doherty, (2000), which examined the market entry strategies of internationalising British fashion companies, the internationalisation of fashion retailing has received minimal research attention and reporting. And while other studies have also considered fashion retailer internationalisation, some within the wider context of retailer internationalisation, (Treadgold, 1991; McHarg and Oldroyd, 1992; Johnson and Allen, 1994), none have provided a

comprehensive account of foreign fashion retailers' involvement in the British market. As such, our understanding of the foreign market activities of fashion retailers within the UK, remains partial and incomplete (Fernie et al, 1997).

This neglect is anomalous on the grounds that it has been suggested that fashion retailing is particularly suited to international expansion. Dawson (1994) identifying that the majority of internationalising activities are undertaken by non-food retailers, and by fashion retailers in particular, argued that fashion retailing was less confined by the vagaries and constraints of differing consumer tastes and culture making it better suited to international expansion. However, Dawson's appraisal of the international potential of clothing is not universally shared. Hollander (1970) argued that the failure of mass market fashion retailers within foreign countries must be attributed, in the main, to their inability to interpret and respond to cultural differences, while Laulajainen (1991) described apparel as culturally sensitive merchandise that was not easily transferred for sale into foreign markets.

These debates surrounding the international transferability of fashion merchandise aside, authors such as Hollander, (1970), Lualajainen, (1991) and Dawson (1994) all recognise the international success of a number of fashion retailers. Dawson (1994) attributed this international success to the trading technique and format type of these fashion retailers, whereby because fashion store operations are typically small, the capital and management costs for their establishment are normally less, and, as such, their manageable size can make market entry and exit easier. In addition, because fashion retailers are normally single brand operations, this feature can provide for economies of replication and assist in speedy international expansion, typically through franchising. Finally, the cachet of a foreign retailer is, according to Dawson, easier to simulate in fashion retailing, (mainly because of the central

significance of the representational brand), than it is within other sectors, especially food retailing.

It is against this backdrop of half-recognition, (whereby the significance and success of fashion retailers within foreign markets has been identified, but not extensively researched and understood), that the remainder of this chapter is poised and which has the aim of examining the existent literature related to the internationalisation of fashion retailing.

4.2. WHAT IS THE INTERNATIONALISATION OF FASHION RETAILING?

Within the context of fashion retailing, it would appear that there has been no specific and explicit consideration within the literature of the nature of internationalisation within this sector. As such, no attempt has been made to determine whether the internationalisation of fashion retailing is, in itself, any different from that of other sectors of retailing. The evidence, although limited, derived from previous studies does appear to indicate that the dimensions of fashion retailer internationalisation are at least similar to those identified by Dawson (1994) and Sparks (1996).

The first dimension of retailer internationalisation identified by Sparks (1996) related to the sourcing of products from foreign markets. The work of Kacker, (1985); Stone, (1987); Dawson, (1994); Crewe and Lowe (1996) underlined the fact that international sourcing is both prevalent and a long established feature of the clothing sector, and like other sectors of retailing, the motivations for this activity are largely due to economic and competitive considerations. As a reflection of the importance of international sourcing to fashion retailers, Stone (1987) highlighted the prevalence of 'buying office networks' within the sector, which function as strategic control points in regions such as Hong Kong and the Far East, co-

ordinating and monitoring supplier performance on behalf of geographically distant fashion retailers.

However, to suggest that international sourcing is the only method of buying by clothing retailers would be mis-leading since such a stance fails to take into account the apparent counter-tendency among many fashion retailers within the past decade to revert back to localised sourcing. This movement to localised sourcing, particularly within the UK, and other Northern European countries, has been driven by changes in consumption patterns, production methods and increased market competition (Varley, 2000). There is a small, but important seam of literature which acknowledges a movement away from an almost total dependence upon foreign market sourcing. Crewe and Lowe (1996) described how, in the 1970's, British fashion retailers in particular, bought highly standardised, low cost garments from manufacturers based in the newly industrialised countries. However, in response to customer demand for increased customisation and improved quality standards in the 1990's, many fashion companies have reverted back to home market sourcing. For in the main, foreign market sourcing is typified by long product lead times, large batch sizes and as such does not match the 'quick response' needs of fashion retailers (Ramshaw, 1993; Foord et al, 1996). Consequently, British fashion retailers, for example, have sought to develop collaborative relationships with local suppliers, who can provide greater flexibility in terms of batch sizes, delivery lead-times and length of production runs. As such, lowest unit price is no longer the principal criterion for supplier selection and instead greater consideration is being given to supplier flexibility and quality standards. Crewe and Lowe (1996) maintained that clothing retailers that continue to source predominately from foreign suppliers will be disadvantaged by the lack of flexibility and immediacy of response that this form of sourcing entails.

With the increased pressure to achieve 'efficient consumer response' relationships, it has been suggested that the pattern for sourcing within the developed markets of Western Europe, in particular, will see the continued emergence of localised sourcing chains, providing short lead times and smaller batches of high quality garments, while foreign markets will be used primarily to provide standardised, non-fashion sensitive product categories (Crewe and Lowe, 1996). It is unclear from these studies whether the same localisation of buying applies also to product sourcing for the foreign markets of the internationalised fashion retailers nor is consideration given to the likely impact of the strategies adopted by overseas suppliers in order to improve their level of responsiveness. Nevertheless, such studies are important since they serve to highlight the reasons why retailers may engage or withdraw from foreign sourcing agreements, as well as the benefits and problems associated with such activity.

Other studies have considered the internationalisation of fashion operations, (Hollander, 1970; Laulajainen, 1991; Treadgold, 1991; Johnson and Allen, 1994; Doherty, 1999, 2000), and these have identified that for fashion companies this process also involves the "operation, by a single firm, of shops or other forms of retail distribution, in more than one country" as identified by Dawson (1994). What is less clear from previous research is whether, and how, the processes of opening and operating internationalising fashion outlets differs from that of other sectors. A fuller consideration of this question will be considered later in this chapter.

It would appear that no study has considered the international transfer of retailer know-how and management expertise specifically within the context of fashion retailing, although other broader studies, such as Kacker (1988), (discussed in Section 3.2.4.), draw upon fashion retailer examples, where it is recognised that expertise in the areas of brand development, merchandising and product design have been seen to be shared within fashion organisations across national markets.

4.3. WHO ARE THE INTERNATIONAL FASHION RETAILERS ?

The identification of retailers with foreign operations is made problematic by the lack of comprehensive information related to the extent of the international expansion of retailers in general (Dawson, 1994). This lack of information is also true of international fashion retailers since no definitive database is available to identify these companies. This problem is further complicated by the fact that no clear classification appears to exist which could be used to group types of fashion retailers in general, far less those with an international presence. However, Corporate Intelligence on Retailing (1997) published a review of the domestic and international trading activities of a representative sample of the largest Western European fashion retailers, as measured by sales turnover and number of outlets. As such, while not able to provide a comprehensive account of all international fashion retailers, the survey does provide a useful starting point for the identification and possible categorisation of the various types of international fashion retailer. The survey will be reviewed at the end of this section.

As has been previously noted, Hollander (1970) provided one of the most comprehensive listings of international retailers and there are a number of fashion retailers included within three of his five categorisations of international retailing businesses. Of the first category identified, the 'Dealers in Luxury Goods', Hollander recognised the importance within this category of the luxury fashion retailers, the couturiers and high fashion design houses which operated stores throughout the world at this time. Among the luxury fashion retailers identified are Burberry's Ltd, Pringle of Scotland, Cerruti 1881, Daniel Davies, Peal and Co, Jaeger, Yves Saint Laurent, and Lanvin-Charles of the Ritz.

Within Hollander's second classification, the 'General Merchandise Dealers', a variety of retailing formats, including department stores, variety chains, discount houses, mail order and

supermarket retailers were identified. While no specific reference is made to the product ranges sold by retailers adopting these formats, many of those retailers identified by Hollander are known to have sold clothing. These included the department store retailers, Harrods of London and Takashimaya of Japan who operated stores in Argentina and the United States of America, respectively; variety and discount stores, such as F.W.Woolworth / Woolco, Sears Roebuck, Freeman's of South London and La Redoute mail order firms.

Within Hollander's third category, the 'Specialised Chains', fashion retailers such as Montague Burton, Austin Reed, Great Universal Stores and Etam from Britain; Blacton-Fifth Avenue, Lerner Shops, Unishops, Franklin Stores from the USA, and C & A Brenninkmeyer of Amsterdam, Hennes from Sweden and Prenatal from France are included.

Hollander's listing in 1970 of fashion retailers with an international presence while not exhaustive, was nevertheless, important in two ways. Firstly, it served to identify the complexity and variety of the ways in which fashion is internationally distributed, such as through luxury goods dealers, general merchandise retailers, (ranging from department stores to mail order) and through specialist companies. Secondly, Hollander's categorisation which identified luxury, general merchandise and specialist fashion firms served to emphasise the differences in the market positioning, trading techniques and expansion strategies of the international fashion retailers, and the fact that the inclination for international involvement, or the achievement of success within foreign markets, is not confined to any specific category of fashion retailer.

Some twenty years after Hollander's review, Treadgold (1988), in his attempt to identify the most important international retailers, recognised eight specialist clothing retailers, (excluding

department store retailers), from a total of 43 companies. These companies are included in

Table 4.1

Company	Country of Origin
Alain Manoukian	France
Asko	Germany
Benetton	Italy
Brenninkmeyers	Netherlands
Laura Ashley	Great Britain
Marks & Spencer	Great Britain
Stefanel	Italy
Storehouse	Great Britain

Table 4.1 Selected Fashion Retailers with an International Presence. Source : Treadgold (1988)

From his listing of the 43 leading international retailers, Treadgold (1988) further identified the 'World Powers' of international retailing, the five most prolific and successful companies, (as measured by the scale of their international operations and the expansion strategy employed). Of these five, two are identified as fashion retailers, (Benetton and Stefanel), and it is Treadgold's contention that their success can be attributed to their ability to offer products and formats which have the capacity to overcome socio-cultural barriers, while at the same time, creating markets where previously none had existed.

A range of other studies have identified individual fashion companies that have achieved international success, and these have attributed that success to a clearly defined brand identity, such as Laura Ashley (Bunce, 1989), or the provision of an innovative product offer, as in the case of the Swedish fashion retailer, Hennes and Mauritz (Laulajainen, 1991), Adams Childrenswear (Johnson and Allen, 1994), the French retailers, Kookai and Morgan, (Moore and Leroy, 1997) or an innovative merchandising format, as offered by Esprit, (Fergusson, 1987) and Benetton, (Simpson and Thorpe, 1996), Monsoon, Oasis and French Connection, (Murphy and Bruce, 1999).

Corporate Intelligence on Retailing (1996,1997) in an examination of the entry by foreign retailers into the United Kingdom market, similarly identified a number of what were termed as "general fashion retailers" who offer fashion ranges to either a broad or highly defined target market. These included firms such as Chipie, Naf Naf and Rodier from France, Mexx from the Netherlands, Inwear from Denmark, as well as Esprit, The Gap, and Esprit from the USA. (Further consideration will be given to those foreign fashion retailers that operate stores within the UK in the following section that will consider the direction of international fashion retailer expansion).

Studies undertaken by Hillier Parker (1996) and Fernie et al (1997) identified a second grouping of international fashion retailers which have entered into the UK market. This grouping would appear to match Hollander's (1970) classification of luxury goods retailers and have been described as 'international fashion design houses'. The majority of the world's largest and most successful fashion design houses come from Italy, France and the USA (Fernie et al, 1997), and these firms appear to have re-instated in the past decade the tradition of opening flagship stores within the world's leading capital cities, a strategy previously identified by Hollander (1970), and described as the "New York, London, Paris" syndrome. This grouping of international retailers have traditionally focused upon the exclusive, premium-priced end of the international market. However, in the past decade, these companies have turned to the lucrative 'middle' retail market in order to maximise their profitability through the sale of diffusion lines through dedicated retail outlets and wholesale distribution channels (Fernie et al, 1997; 1998).

As was noted at the beginning of this section, Corporate Intelligence on Retailing (1997) published a review of the domestic and international trading activities of a representative sample European fashion retailers. This review, while not providing a definitive listing of

Europe's international fashion retailers, nevertheless identifies many of the most significant,

their country of origin and provides a categorisation of their format type. Appendix 1 provides

a full listing of the 104 European fashion retailers identified.

No clearly established categorisation of the international fashion retailers is available.

However, drawing from the various categorisations and descriptions used within the studies of

international fashion retailing activity provided by Hollander, (1970), Fernie et al, (1997,

1998); Corporate Intelligence on Retailing, (1997), Verdict, (1997), Emap, (1997), and Mintel,

(1998), it is nevertheless possible to identify four broad types of international fashion retailer,

as determined by their product focus, the number of stores and their size, market positioning

and target customers. The groupings are identified in Figure 4.1:-

1. **The product specialist fashion retailers** : These are companies that focus upon a narrow and specific product range, such as Hom Underwear, La Senza, Tie Rack, Nike, Sock Shop and Jacadi and have a clearly defined target customer group either based upon demography, (such as childrenswear), gender, (such as La Senza and Hom Underwear), or a specific interest, (such as sport and Nike and Reebok). While there are some obvious exceptions, such as Nike Town, these retailers typically operate small scale stores either within busy customer traffic sites, such as adjacent to airports / railway stations or major mass market shopping areas, such as Oxford Street in London, and Fifth Avenue, in New York.

2. **The fashion designer retailers** : Fernie et al, (1997) provided a clear definition of the international fashion designer retailers which states that these have an international profile in the fashion industry as evidenced in their having a bi-annual fashion show in one of the international fashion capitals, (i.e. Paris, Milan, London and New York) and have been established in the fashion design business for at least two years. These firms retail merchandise through outlets bearing the designer's name, (or an associated name), within two or more countries and market their own label merchandise.

Company examples of this group include Gucci, Valentino and Chanel, who normally locate within premium locations within capital and other important cities.

3. **The general merchandise retailers** : Mintel (1998) identified these as retailers that include a mix of fashion and non-fashion goods within their merchandise offer. Examples include Department stores such as Marks and Spencer, Harrods and Sogo. These foreign stores are often located within key shopping centres and tourist locations, the merchandise offer increasingly extends beyond two trading floors (Corporate Intelligence on Retailing, 1997).

4. **The general fashion retailers** : Unlike the product specialist fashion retailers which tend to concentrate upon one or two fashion product groups, the general fashion retailers are described by Mintel (1998) as offering a broad range of fashion merchandise and accessories, either to a broad (e.g. The Gap) or highly defined target segment (e.g. Kookai). This group are typically low to mid-priced and locate in 'city-centre' locations so as to allow maximum access for mass market customers (Corporate Intelligence on Retailing, 1997).

Figure 4.1 - The Four Types of International Fashion Retailer Source : Hollander, (1970), Fernie et al, (1997, 1998); Corporate Intelligence on Retailing , (1997), Verdict, (1997), Emap, (1997), and Mintel, (1998).

There is no doubting that these classifications have associated difficulties, particularly in relation to its broad nature. For example the down-market British female fashion retailer, New Look, has been classified as a general fashion specialist at the same way as the more up-market Jaeger company. As well as this, an increasing number of fashion design houses have 'strayed'

into other territories, such as Polo Ralph Lauren and Calvin Klein, and have diversified to become household goods retailers as well as clothing retailers. As such, these companies could equally be categorised as general merchandise retailers, while their flagship stores, offering a wide and extensive merchandise assortment, share many of the features of a typical department store.

Despite such difficulties, collectively Hollander (1970), Treadgold (1988) and Corporate Intelligence on Retailing (1997) at least begin to answer the question of who are the international fashion retailers in three important ways. Firstly, these studies help identify the particular fashion retailers which have an international presence. Secondly, the studies provide a basis for the beginnings of a classification of the types of international fashion retailer. Thirdly, in terms of country of origin, France, Italy, The Netherlands, Denmark and Britain are identified as amongst the most significant in Europe (Hillier Parker, 1996; Corporate Intelligence on Retailing, 1997; Fernie as al, 1997).

However, within the context of the aim of this study, research related to the identification of foreign fashion retailers within the UK is perfunctory and incomplete. Furthermore little consideration has been given to the identification of the trading formats that these entrants typically adopt in the UK, or of which format types that have proved to be the most successful. Therefore, it could be argued that the basis upon which these retailers compete within the British market, and the factors which secure their success, are far from clear.

4.4 WHERE ARE FASHION RETAILER'S DEVELOPING INTERNATIONAL OPERATIONS ?

As was noted in Section 2.4, the internationalisation of retailing has been described as a geographical process (Laulajainen 1991), and as a result, a number of frameworks, (also reviewed in Section 2.4), have been developed in order to conceptualise the locational patterns adopted by retailers in general as they expand abroad. Underpinning these frameworks have been issues of balancing control over foreign enterprises with required investment levels, as well as those related to geographical and cultural proximity (Robinson and Clarke-Hill, 1990; Treadgold, 1990; Laulajainen, 1991; Burt, 1993).

The issue of cultural proximity is especially significant in the internationalisation of fashion retailers and their product ranges, as was evidenced in those studies which included some considered the transferability of fashion (Hollander, 1970; Dawson, 1994), and may be expected to have some bearing upon the direction of their foreign market expansion. Drawing from the theories of fashion, (which originated and were further developed within the social psychology and sociology literature), it has suggested that fashion, by its very nature, is cultural bound and is difficult to transpose to differing social settings . Sproles (1979) defined fashion, as applied to clothing, as :-

"A way of dressing that is temporarily adopted by a discernible proportion of members of a social group because that chosen dress is perceived to be appropriate for the time and situation"

Reynolds (1968) similarly identified the importance of cultural context to fashion consumption and suggested that fashion is a process of adopting symbols in dress in order to provide an individual with an identity which is both recognisable to, and accepted by, a specific social group. Horn and Gurel (1981) stated that fashion adoption was essentially a process of identifying mechanisms for human communication, whereby particular items of clothing are encoded with messages relevant to such issues as self-identity and social status, which are then

decoded by others operating within and across various social strata, within a common cultural setting.

Within this social and psychological context, Evans (1989) argued that it is the role of the fashion marketer, (invariably the fashion retailer), to engender and attach a range of meanings and values to the fashion product, so that it become socially acceptable and match with the potential purchaser's self-identity and lifestyle. This matching is achieved, according to Lewis and Hawksley (1990), through the development of the fashion brand. The successful fashion brand has a discernible identity and image, (achieved through the careful management of price, advertising and promotion, as well as the place of purchase), which reflects the actual, or aspired to, lifestyle characteristics of the target customer group. But, most significantly, brand meaning can only be shared fully within a common socio-cultural context.

Diamond (1992) suggested that the defining characteristics of international fashion retailing relate to the importance of developing a representational brand within transnational appeal. Evans (1989) argued that the product management and merchandising requirements of the fashion retailer are more complicated than those faced by firms operating within other sectors since the nature and meaning of brand representationality and the concept of what "is in fashion' is culture-specific. Lewis and Hawksley (1990) provided a useful summation of the fundamental role of the fashion retailer which is to provide the customer with continuity in terms of brand image and discontinuity in relation to the nature of the products on offer.

With the increased fragmentation of society and the movement towards individualism and self-realisation, it is unlikely that a national market will have one dominant fashion culture. Instead, markets comprise of many and varied fashion sub-cultures which in themselves are complex and are impossible to define using the standard demographic segmentation bases (Crewe and

Lowe, 1996). Within the context of fashion retailing, Lea-Greenwood (1997) found that the most successful international companies are those which develop a brand positioning which is clearly and consistently positioned to be attractive to a particular fashion sub-group and which is supported by a creative communications strategy. This evaluation of the strategic significance of the brand to an international success is supported by Hollander (1970) who identified that much of the success of the fashion design houses could be attributed to the emergence of a global luxury lifestyle.

Crewe and Lowe (1996) noted the apparently contradictory function of fashion which, on the one hand, is symbolic of, and bound by, a particular culture, while on the other, through the globalisation of fashion retailers, such as Chanel, Armani and Benetton, serves to weaken local distinctiveness and has promoted the unification of customers the world over. As such, these clearly defined brands have contributed to "a world cultural convergence of lifestyle and attitude among consumers" (p.85).

Studies which examine the direction of fashion retailers foreign market expansion are limited, both in terms of volume and the breadth of companies considered. Treadgold (1988), in his attempt to conceptualise the international development of 43 retailers, identified, at that time, Marks and Spencer and Printemps, (both of which offered clothing as part of their international offering), as 'concentrated internationalists'. These are firms which typically engaged in 'border hopping' into adjacent markets, which are perceived to be economically and culturally similar to the home market. Of the other international fashion retailers identified by Treadgold, the majority are categorised as either 'dispersed internationalists' or 'multinational' retailers. The 'dispersed internationalists', including such fashion firms as Alain Manoukian, Storehouse and C&A Brenninkmeyers, are described as having entered into markets geographically and

culturally remote from the domestic market, while the 'multinational retailers' operate within a large number of markets, often highly diverse from the home market. Laura Ashley and Stefanel were included in this latter category.

Treadgold's typology fails to clarify whether the 'dispersed' and 'multinational' fashion retailers reach such a stage through a 'stepwise' approach, involving initial movements into geographically and culturally close markets or whether international expansion is conducted via parallel entries based upon the identification of 'best market opportunity' (Laulajainen, 1992). McHarg et al (1992) reviewing the expansion patterns of a small number of mass market British fashion retailers, found that these firms tended to adopt a 'stepwise' approach, entering into the nearer markets of the EC and Northern Europe, before the economically and culturally more distant markets of Spain, Portugal and Greece. Their study would appear to suggest that British fashion companies, in the early stages of international development, prefer to enter countries at a similar stage of economic development as their domestic market and then move to markets where the GDP £'s per capita is lower (thus indicating lower levels of economic development), in the next stage of their international expansion. However, given that the locus of developed countries is around the UK, the McHarg et al (1992) study does not make clear whether these British fashion companies placed greater emphasis upon geographic or economic proximity when selecting a new market for entry, (particularly at an early stage of their international history).

An important dimension raised by McHarg at al's (1992) study is the bearing that a retailer's market positioning has upon market selection. It is their contention that retailers which are focused upon the larger, middle markets (such as Marks and Spencer and Littlewoods), will adopt different approaches to new market selection and entry compared to 'niche' retailers, such as Alexon or Sock Shop. While not providing a detailed analysis of these differences, it is

suggested in the study that the specialist retailers will be more inclined to enter geographically and economically diverse markets, even at an early point in their international development compared when compared to retailers focused upon middle markets. This suggestion echoes that proposed by Laulajainen (1991) who, by arguing that scale economies were particularly important to those retailers serving the broad mass market, suggested that these retailers have a tendency to opt for entry to culturally close markets, anticipated to be the most responsive to the entering retailer's offering. As such, McHarg et al (1992) contend that the relationship between market positioning and the selection of foreign markets for entry is one which is worthy of further consideration.

Other internationalisation studies which have focused upon fashion retailers, such as Treadgold (1991), who examined Laura Ashley and Whitehead's (1991) study of international franchising by Marks & Spencer, found that both companies initially preferred to expand into geographically near parts of Europe and the culturally close USA, (achieved through acquisition on the part of Marks and Spencer), before progressing to markets which were geographically and culturally less familiar.

Laulajainen (1991) provides arguably the most in-depth study of a fashion retailer's international expansion when he considered the activities of Hennes & Mauritz of Sweden. Lualajainen, underlining the fact that a retailer's foreign expansion can exist at three levels; country, city and site, also recognised that foreign market entry can be either on a strict 'stepwise' basis, (whereby entry is made one at a time, into an adjacent country, after saturation within the domestic and the most recently entered market), or by parallel entry, involving simultaneous entry into several markets, each selected on the basis of their business potential. Contending that Hennes and Mauritz have adopted the logical and orderly 'stepwise'

approach to internationalisation, Lualajainen's claim is not as obvious in the explanation

offered by the firm's CEO, Stefan Persson, who is quoted as follows :-

"There is far less advance planning than one would suppose, Actually, it is an on-going, day-to-day process. We do business with each, get to know each other. Then, some day, there is an opportunity to open a store. We stop for a while and give the idea a thought. Could this be something for us, could it be viable ? At that moment, all this kind of stuff, cultural closeness store concentration, comes into play, some of it explicitly and some perhaps unconsciously. And when there is the felling that it will work, then we will move".
(pg 3)

While Persson's review of the situation may appear ad hoc, Laulajainen's delineation of the

direction of the company's expansion shows that their move into Norway in 1964 and Denmark

in 1967 is in accord with the controlled and considered 'stepwise' approach of entering into

geographically close, linguistically intelligible and culturally similar markets. Within both

countries, he notes that their 'geographical continuation' was straightforward, and that an

hierarchical type of internal expansion was adopted, with the largest cities entered first. The

only problem with the 'stepwise' hypothesis in respect of Hennes and Mauritz, it is

acknowledged, is the fact that the trigger for foreign market expansion appears not to have

been domestic or next market saturation. Sweden was not a saturated market before the firm's

entry into Norway, nor was the Norwegian market fully developed before entry into Denmark.

However, Lualajainen's explanation for this anomaly is that Hennes and Mauritz saw the

whole of the Scandinavian market as their home market and by the time they entered into the

first non-Scandinavian country, (the UK in 1976), their 'wider' home market had almost

reached saturation point.

As to Hennes and Mauritz's subsequent expansion activities, the UK in 1976, Switzerland in

1978 and Germany in 1980, it is acknowledged by Lualajainen that the pattern for entry into

these markets was essentially 'parallel' in nature, based upon the distinctive opportunities

afforded by each market , (e.g. representation within the UK, particularly London, raised the

status of the company to one which could be perceived as youthful and fashionable, while the high private per capita spending in Switzerland and Germany, linked to German perception of the high quality standards of Swedish products), made these obvious target markets. The selection of the British, Swiss and German markets was, according to Lualajainen, a natural and first choice option on the grounds that these were culturally familiar to the Swedes and the main languages of each country were widely spoken in Sweden.

Writing in 1991, Lualajainen predicted that entry by the company into Latin Europe and the USA was unlikely and inadvisable for Hennes and Mauritz on the grounds of cultural divergence, (particularly in relation to Latin Europe), and because of the highly competitive nature of the American market. The most recent developments undertaken by the company have been the opening of stores in Belgium and Austria in 1992 and 1994 respectively and it has reported that Germany would be the primary focus for future expansion. (Corporate Intelligence on Retailing, 1997). As such, it would appear that Lualajainen's prediction for the future direction of growth by Hennes & Mauritz has proved accurate.

Moving from the firm-specific level, a representative review of the international activities of selected European fashion retailers was also provided by Corporate Intelligence on Retailing (1997). As part of this review, a number of important dimensions relevant to the direction of the international expansion of these major European fashion retailers emerge. Perhaps the most significant is that for the majority of fashion retailers, cross-border expansion is confined largely to Continental Europe. However, differences in the geographical spread by type of fashion retailer were noted, with the designer houses are much more likely to expand operations outside Europe, entering into Japan and other parts of the Far East, as well as the USA. In comparison, with a few notable exceptions, such as Marks and Spencer and Benetton the general merchandise and specialist fashion retailers tended to confine, certainly their initial

movements abroad, to geographically adjacent markets when compared with fashion design retailers.

The survey also identifies that there are only a small number of fashion retailers which can claim to be 'truly continental (or global) forces in the highly fragmented European marketplace' (Corporate Intelligence on Retailing, 1997). Six firms are identified as such :- C&A, H&M, M&S, Inditex, Auchan - Haibi, Benetton. Other than designer house fashion retailers, as a generalisation, it could be suggested that internationalisation by Western European fashion retailers, and by general retailers in particular, is typically restricted to geographically close markets. However, in accord with the assertion made by McHarg et al (1992), little attempt has been made in the literature to both delineate and explain the direction of fashion retailer internationalisation, either within a European context, or beyond.

4.5 WHEN DOES FASHION RETAILER INTERNATIONALISATION OCCUR ?

Previously, in Section 2.5, is was recognised that reference to the 'when' of retailer internationalisation could refer both to the identification of a point in time when such activity may occur or the range of pre-conditions which may encourage and facilitate foreign market expansion. This section will consider these dimensions within the context of fashion retailer internationalisation.

In terms of identifying specific periods in time when fashion retailers have typically engaged in internationalisation, perhaps not surprising, the literature proves unhelpful. Various authors, (Hollander, 1970; Lualajainen, 1991; Treadgold, 1991; Johnson and Allen, 1994), have identified specific dates when fashion companies have entered foreign markets for the first time, but none have reflected upon the possible significance of these dates. Corporate Intelligence on Retailing (1997) in their analysis of the leading international clothing retailers in Europe make

no reference to any specific point(s) in time where cross-border expansion by these firms has

been prolific or otherwise. However, their report does identify the dates of first entry foreign

market entry for a number of these retailers and these dates are presented in Table 4.2.

Company Name	Date of First Entry
Kleider Bauer GmbH	1991
Gazelle AG	late 1980's
Hervis Sport	early 1990's
Magazzini Nico Schuh	1986
Palmers AG	late 1980's
JBC Mode	late 1980's
Bestseller / Vero Moda	late 1980's
Bison Club	between 1986-1996
Bitte Kai Rand & Co	1990
Carli Cry A/S	late 1980's / 1990's
Cha Cha Danmark A/S	1985
Choise by Denmark	1996
Claire	1991
4 You A/S	1995
Inwear Group	1973
Red/Green	late 1980's
Agnes B CMC	mid-1980's
Groupe Andre SA	late 1980's
Auchan SA : fascia : Orsay / Kiabi / Pimkie	1981
Bonpoint SA	1979
Cacharel SA	1970's
Catimini	no dates given
Cerruti 1881 SA .	early 1980's
Comme Des Garcons	late 1980's
Coup de Coeur SA	mid-1990's
Damart SA	1972
Devernois SA	1996
Dolfus-Meig SA	1987
Du Pareil SA	mid-1990's
ECB Big Star SARL	no date given
ETAM	1957
Intexal-Rodier SA	early 1980's
Jacadi SA	late 1980's
Alain Manoukian SA	1979
NAF NAF / Chevignon	early 1980's
Pantashop GIE	1981
Petit Bateau SA	1990
Pinault-Printemps-Redoute	1991
Prenatal	1970's

Promod SA	1991
Tati SA	1996
Zannier SA	late 1980's
Adessa Moden GmbH	no date given
Adler Modemarkte	early-1980's
Douglas Holding AG	early 1980's
Textil Markt Eisel	1978
Hettlage KG	mid-1990's
NKD Vertriebs GmbH	1995
Otto Versand GmbH	1976
Ulla Popken	1995
Roeckl Handschuhe GmbH	1970's
Jil Sander AG	1990's
Tengelmann	1990's
Trend-Line	1996
Dunnes Stores Ltd	late 1980's
Benetton Group Spa	1969 - Paris
Diesel Spa	1995
Gucci Spa	1953
Max Mara	no date given
Stefanel Spa	1970's
Valentino Spa	1976
Gianni Versace Spa	late 1980's
Ermenegildo Zegna	1981
C & A Nederland BV	1903
Dormael Beheer BV	1967
Livera	no date given
Hema	1996
Amici Mode Voor	1992
Amici Mannenmode	1994
M & S Mode	1970-1980
Macintosh NV	late 1980's
Mexx International NV	1981
Oilily (Olly's BV)	early 1990's
Vendex International - 1. Claudia Strater 2. Hunkemoller 3. Kreymboourg	 no date given early 1990's no date given
Wibra Textielsupermar	1970's
Jan Zeeman BV	1995
Adelsten A/S	early 1990's
Varner - Gruppen	1996
Maconde Confeccoes	1992
Coronel Tapiocca SA	early 1990's
Adolfo Dominguez SA	no date given
Inditex - Zara	early 1990's
ISNA Group SA	1996
Hennes & Mauritz AB	1964
JC Jeans AB	1988/1989

Kappahl AB	1985
AB Lindex	1969
Peak Performance	early 1990's
Beldona AG	early 1990's
Charles Veillon SA	1997
Charles Vogele	late -1980's
Alexon Group PLC	1987
Austin Reed PLC	1989
The Burton Group	1964
Jaeger / Viyella	1960's
Foster Menswear Ltd	early 1990's
Marks & Spencer PLC	1970's
New Look	1988
Next PLC	1988/1989
Oasis Stores PLC	early 1990's
River Island Clothing	1994
Sears / Miss Selfridge Sears / Wallis Sears / Adams	1990 1991 1994
Storehouse /Bhs / Mothercare	1976 1976
Tie Rack	late 1980's

Table 4.2 : First Entry into Foreign Markets by leading European Clothing Retailers Source : Corporate Intelligence on Retailing (1997).

Table 4.2 highlights a number of interesting dimensions relating to the timing of foreign market expansion by European fashion retailers. The first is that those firms which have been identified as the most prolific, in terms of the number of countries entered, (Treadgold, 1988), have been involved in foreign markets since at least the early 1970's (Benetton, Stefanel, Marks & Spencer, Hennes and Mauritz, Cacharel, InWear), while perhaps the most global of the designer brands, Gucci, has operated stores outside the home market of Italy since the 1950's. The period 1990-1995 is identified as the most significant in terms of the number of fashion retailers entering foreign markets for the first time, followed by 1985-1990, while the years 1980-1985 are somewhat 'lean' years in terms of fashion retailer expansion.

Interestingly, this pattern of fashion retailer international development almost exactly parallels the cyclical pattern of the international market development of European food retailers previously identified by Burt (1991). As discussed previously, he suggested that the 1960's can be identified as a period of slow international growth, followed by a surge in the mid-1970's, a decline in the early 1980's, that was replaced by an unprecedented increase in internationalising activity in the late 1980's. This pattern of food retailer expansion is explained by increased competition and saturation within domestic markets, legislative controls, as well as the internal characteristics of the companies involved in foreign expansion. While there is no evidence to suggest that the internationalisation of fashion retailers has been as a result of regulatory influence, increased market competition and impending saturation have been identified as motivating factors for companies such as Hennes & Mauritz of Sweden (Lualajainen, 1991).

At the beginning of this section it was suggested that the question concerned with the 'when' of retailer internationalisation is also concerned with the range of pre-conditions which may encourage and facilitate foreign market expansion, (i.e. the critical success factors associated with foreign market success), as well as the obstacles to foreign market success. While no study appears to have considered the factors which either assist or inhibit the international success of fashion retailers, oblique references to these dimensions have been included in the literature.

The advantages of a strong brand image with associated values of cosmopolitanism, exclusivity and design excellence has been identified as a key factor contributing to the success of the fashion design houses, (Fernie et al, 1997). In a similar vein, the international success of Laura Ashley, Marks and Spencer and Hennes and Mauritz has been attributed to their ability to offer product ranges which are distinct and of good quality, within retail environments which are memorable and capable of easy replication across markets (Treadgold, 1991; Whitehead, 1991;

Lualajainen, 1991). The international success enjoyed by fashion retailers has also been attributed to their ability to develop internationally appealing brand images, such as has been achieved by Benetton and The Gap (Simpson and Thorpe, 1996), and serve customer segments inadequately catered for by indigenous retailers, or to create new segments where none had previously existed (Sternquist, 1997; Johnson and Allen, 1994).

Scant attention has been given to the problems that internationalising fashion retailers may face. Hollander (1970) argued that the major obstacles that mass market fashion retailers face within foreign markets are more likely to be cultural than technical. The importance of cultural affiliation and understanding was seen to impact upon the decision to enter, as well as avoid certain countries on the part of retailers such as Hennes and Mauritz of Sweden (Lualajainen, 1991). Corporate Intelligence on Retailing (1997), while recognising that internationalising fashion retailers may face problems related to supply chain inefficiencies, the activities of local competition, and the control and management of foreign operations from a distance, stated that the main reason for failure within foreign markets was because fashion retailers often under-estimate the cultural differences that exist between foreign and domestic markets. As such these retailers invariably fail to make necessary adjustments to their offer in order to suit local market conditions.

Given the inextricable relationship between cultural context and the very notion of what is deemed fashionable, it is perhaps surprising that greater consideration has not been given to the role of culture within the process of fashion internationalisation. No study would appear to have considered the critical factors that foreign fashion retailers require for success, or of the obstacles that such firms potentially face, when entering the United Kingdom market.

4.6 WHY ARE FASHION RETAILERS INTERNATIONALISING ?

As has become the pattern in this chapter, no study has considered exclusively, or in any depth, the reasons which encourage fashion retailers to enter foreign markets. Nor has any consideration been given to whether fashion retailer's motivations for entry into foreign markets differ from those of other categories of international retailer.

Fragmentary accounts can be found within the wider motivational studies on retailer internationalisation which include reference to fashion retailers, (Hollander, 1970; Treadgold, 1990; Dawson, 1994; Salmon & Tordjman, 1989; Alexander, 1995; Strernquist, 1997), or from the very limited literature which considers the international migration of individual fashion retailers, (Ferguson, 1987; McHarg et al, 1992; Johnson & Allen, 1994; Lualajainen, 1991;1992).

Identifying the 'commercial objectives' which induce international expansion by retailers, Hollander (1970), suggested that luxury fashion houses developed international chains for reasons of prestige, while department store retailers went abroad because of saturation in the domestic market. Other studies which have considered the internationalisation of high fashion and luxury brand retailers have suggested that the motivation to expand into foreign markets has been premised, not so much upon the need to escape from home market restrictions, but instead upon the desire to exploit the potential of distinctive brands and innovative product offerings within receptive markets (Lualajainen, 1992; Fernie et al, 1997).

The adoption of a proactive approach to internationalisation is not necessarily restricted to the activities of exclusive fashion design houses. As part of a general review of the features of retailer internationalisation, Treadgold (1990) maintained that specialist fashion retailers,

(focusing upon specific product types, as per Section 4.3), such as Damart, Tie Rack and High & Mighty, all had entered foreign markets in order to maximise the opportunities afforded by their respective merchandise expertise and specialisation. Similarly, according to trade press sources, there is evidence to suggest that other clothing firms with a highly focused product offering, (such as the lingerie retailer, La Senza of Canada and ski-wear specialist, Helly Hansen of Norway, Murphy and Bruce, 1999; Moore and Murphy, 2000), have engaged in foreign market expansion in response to foreign market demand for their products. In addition, retailers focusing upon highly specific customer segments, such as young female fashion retailers Kookai and Morgan of France, have been reported as stating that the decision to engage in foreign expansion was motivated primarily by the desire to exploit the opportunities afforded by under-developed competition in markets abroad (Fashion Weekly, 1997; Draper's Record - various dates, 1997, Moore, 1997).

It cannot be assumed, however, that the international expansion of all clothing retailers serving clearly defined customer segments can be attributed to proactive motivations. For example, the entry into Spain by British childrenswear retailer Adams, in the mid-1990's has been described as a reactive response by the company to imminent market saturation and increased competition within the domestic market, (Johnson & Allen, 1994). Similarly, Lualajainen (1991), concluded that home market saturation within Scandinavia encouraged the expansion of youth fashion retailer Hennes and Mauritz of Sweden into the UK.

Research which has considered the internationalisation of general merchandise retailers, (McHarg et al, 1992; Whitehead, 1990) pays scant attention to the motives which have led to their cross-border expansions. Assuming that Laura Ashley can be categorised as a clothing retailer serving a broader market through varied ladies and childrenswear collections, Treadgold (1991) argued that the firm's motivation for foreign market development was

essentially proactive, determined by a brand and retail formula with a cross-market appeal. In contrast, Strenquist (1997), identified a clear relationship between the expansion of American clothing retailer The Gap into Canada, the UK, France and Germany and the saturation of the domestic market and of opportunities within regional shopping malls, in particular.

In the previous chapter, it was acknowledged that no one motivation or set of motivations for internationalisation could be regarded as being dominant over time, either for a specific company or sector (Alexander, 1995). Of those studies identified above, it would appear that none has considered how time and differing circumstances may serve to influence a fashion retailer's motivation and attitude towards foreign market participation.

It has been suggested that an examination of a retailer's motivation(s) for international expansion potentially provide rich insights into the nature of the company's strategic decision-making and their ability to interpret and respond to operating environments (Casson, 1987; Hollander, 1970; Alexander, 1995). By implication, the fact that only a perfunctory understanding of the reasons why fashion retailers have internationalised into the UK or elsewhere is available, also means that our understanding of how these fashion retailers assess, understand, and respond to their operating environments, (as evidenced in their strategic decision-making), is essentially limited.

4.7 HOW ARE FASHION RETAILERS DEVELOPING INTERNATIONAL OPERATIONS ?

In the previous chapter it was acknowledged that the 'how' of retailer internationalisation is a complex notion and is as much concerned with the stages of development; the strategic approach that a firm adopts in order to operate within foreign markets, (Treadgold, 1988;

Salmon and Tordjman, 1989), as it is with the entry methods that are adopted in order to facilitate the opening of stores abroad (Robinson and Clarke-Hill, 1990; Dawson, 1994).

No account of the various stages that fashion retailers pass through as they develop international store networks is provided within the literature, nor is there any consideration of the actual processes inherent to the establishing of retail operations within foreign markets provided. Within the context of the strategies that fashion retailers adopt in order to internationalise, Salmon and Tordjman (1989), based the exposition of their theories of international retailer strategies upon the highly standardised, global approach of Laura Ashley and the adaptive, multinational stance of C & A. The diversity of both strategies is claimed by Crewe and Lowe (1996) to be an inherent characteristic of international fashion retailing, "which is at one and the same time a truly global industry as well as a potent symbol of personal and spatial identity' (pg 272).

The globalisation of fashion retailing has been based upon the effective use of pan-national advertising campaigns and brand-building strategies (Lea-Greenwood, 1997), and with the development of efficient distribution systems which, through the careful restriction of supply using franchising and licensing agreements, have served to simulate exclusivity while still remaining eminently accessible to the mass middle market (Crewe and Lowe, 1996; Fernie et al, 1997; 1998). Furthermore, that expansion has been facilitated by developments in information technology which have radically altered the manufacturing, ordering, stocking and transportation of fashion goods. The creation of information networks have brought with them a time-space compression, allowing for the matching of internal corporate activities and functions with the actions of suppliers, collaborators and customers on a world-wide basis (Millar, 1993).

The adopting of a globalised approach to foreign market development has been identified as the corner-stone of the growth strategies of the international fashion design houses and luxury goods retailers, (Hollander, 1970; Lualajainen, 1992; Fernie et al, 1997), integral to which is the development of a distinctive lifestyle positioning that is attractive to identifiable customer segments within a variety of foreign markets. There is also evidence from the literature which identifies that general fashion retailers, such as Benetton, also appear to adopt globalised strategies, which in their case is founded upon the development of a clear image and market positioning which fuses a distinctive advertising image, product range, consumption experience and production technique (Belussi, 1992; Crewe and Lowe, 1996). Yet, while Benetton have adopted the global replication of their format abroad through their franchising networks, as per Salmon and Tordjman (1989), the company, through their process-related technologies, also mimic some of the adaptive characteristics of the multinational derived from the flexibility of just-in-time manufacturing. This flexibility is derived from a production configuration which allows Benetton to delay garment dyeing to the final stages of manufacturing, which affords the opportunity of responding to colour trends at a country specific level since batch small batch sizes can still be produced economically (Belussi, 1992).

Benetton's receptivity to local market colour trends echoes the tension in international fashion retailing identified by Crewe and Lowe (1996) whereby firms must seek to reconcile the countervailing forces of global homogeneity and local specialisation and uniqueness. And while Salmon and Tordjman (1989) proposed that internationalising retailers would increasingly have to respond to this paradox, little account has been taken within the literature of these simultaneous pressures inherent to fashion retailer internationalisation.

4.7.1. Methods of Market Entry by Fashion Retailers

A few studies have considered the entry methods of individual internationalising fashion retailers. Organic growth was found to be the primary means of foreign market entry for firms such as Laura Ashley, (although the company also used in-store concessions and franchising within Europe), (Treadgold, 1991; McHarg et al, 1992) and Hennes and Mauritz of Sweden, apart from the acquisition of a fashion chain in The Netherlands, which was subsequently converted into the Hennes and Maurtitz format, (Lualajainen, 1991). Organic growth was the only method of market entry used by The Gap (Sternquist, 1997) and was initially the primary method used by Mothercare in the early days of their international market participation, after which these stores were transferred to franchise agreements.

In their examination of the market entry modes of designer fashion retailers, Fernie et al, (1997) found that organic growth and franchising were the most commonly used entry methods for these companies. And while a number of market intelligence reports have recognised that there is evidence that internationalising fashion retailers have used organic growth, acquisition and franchising as market entry methods, (CIR, 1997; Verdict, 1999; Mintel, 2000), Doherty (2000) maintained that a lack of empirical data made it impossible to determine which was the dominant form of market entry.

In a study of the factors which influence fashion retailers' choice of new foreign market entry, Doherty (2000) found that the entry mode strategy is generally not pre-determined, but instead emerges over time in response to a combination of opportunistic, financial, experiential and company-specific factors. In particular, her study found that the choice of franchising and joint venture arrangements was typically a response to the opportunistic responses of prospective partners. Furthermore, those companies in possession of a clearly defined brand identity were more positive towards franchising at the earliest stages of international involvement, while

those that abandoned corporate ownership in favour of franchising did so because of the complexity and high costs associated with operating company owned stores. Inadvertent factors, such as management and company restructuring, as well as the influence of senior personnel, were also found to have a direct influence upon market entry choice.

While Doherty's (2000) study focused upon the activities of internationalising British fashion retailers, no study would appear to have considered which entry methods have been used by foreign fashion retailers entering the United Kingdom market, nor of the reasons why such methods may have been adopted. As such, dimensions which ought to have provided an important underpinning and perspective to this study of foreign fashion retailer in the UK are not available.

4.8. Chapter Summary and Development of Empirical Research Objectives

Drawing from the broad themes of retailer internationalisation and using the questions posed by Akehurst and Alexander (1996) as a framework for the discussion, this chapter has considered these within the context of the internationalisation of fashion retailing. Consideration was given to the nature of fashion retailer internationalisation and attempts were made to identify the international fashion retailers and the direction of their foreign market expansion. After reflecting upon the time period when international expansion has tended to take place among fashion retailers, the chapter concluded with an analysis of the motivations underlying foreign market entry, the strategies and methods employed to achieve foreign market penetration.

Drawing from the various dimensions and themes of retailer internationalisation identified within the literature, and in particular the six research questions posed by Akehurst and Alexander, (1996), these will be used as a framework for the development of research propositions for the empirical stage of this study. In generating these research propositions, it is

important to acknowledge that the study of internationalisation of retailing in general, while no longer in its infancy, has yet to 'come of age' particularly in relation to theoretical and empirical developments (Dawson, 1994). These features are especially true of our understanding of the internationalisation of fashion retailing, and more particularly, of foreign fashion retailers entering the British market. Consequently, significant gaps in knowledge exist in relation to the central themes and issues of fashion retailer internationalisation and as such, any empirical study of this area must, by necessity, have to be of an exploratory nature. Therefore, the propositions presented below serve primarily to provide focus and direction to the first stage of the empirical research.

4.8.1 Motivations for Fashion Retailer Internationalisation.

The literature identified a range of factors which appear to influence a retailer's decision to engage in foreign market expansion. The 'Push' and 'Pull' factors identified by Kacker (1985) and the 'Reactive' and 'Proactive' perspectives proposed by Alexander (1994, 1995) reflect different methodological approaches to explaining retail internationalisation, as well as the impact of contextual factors, (such as economic and political conditions), upon interpretations of foreign market activity. Furthermore, it has been recognised that a range of factors may influence a firm's decision to internationalise and the motives for retailer internationalisation may vary across markets and operating environments (Dawson, 1994; Alexander, 1997). Within a fashion context, it has been identified that fashion retailers are more likely to be successful internationally because of their small format size, single brand format and the ease within which their operations can be replicated economically (Dawson, 1994; Doherty, 2000).

Therefore, given the apparent suitability of fashion to international expansion, and coupled with the fact that the majority of fashion retailers' international development occurred during

the 1990's, when retailers appeared to expand abroad for proactive reasons, the first proposition is that :-

"In deciding to engage in international expansion, fashion retailers are more likely to be motivated by proactive factors, such as perceived niche market opportunities within foreign markets, than reactive factors, such as home market saturation".

The British retail fashion market is characterised by high levels of market concentration, enjoyed by a small number of publicly-owned, multi-outlet fashion retail companies (Verdict, 1997). The corner-stone of their trading strategies is the successful development of fashion own-brands which now account for more than 50% of total UK fashion sales (Mintel, 1997; Lea-Greenwood, 1998). As a result, it could be assumed that these conditions would make trading within the UK problematic for foreign entrants. There is, however, a paucity of information which may assist in our understanding of foreign retailers motives for UK market entry. Given the known features of the British fashion sector and the fact that the majority of foreign fashion entrants tend to operate within specific niche markets, (such as Morgan and Kookai) and / or have a precisely defined brand identity, (such as The Gap), it could be suggested that the opportunity to capitalise upon a brand that is appealing to British customers or the desire to operate within a niche market would be primary 'pull' factors for foreign entrants. Therefore, the second proposition is that :-

"In terms of their entry into the British market, the predominant 'pull' factors which attract foreign fashion retailers are those related to such dimensions as niche market opportunities and the availability of a brand that is appealing to British consumers".

4.8.2 Direction of Fashion Retailer International Expansion

It has been suggested that the direction of a retailer's international expansion may follow a predictable pattern, whereby initial international entry is into markets that are perceived by the company to be near, either geographically or culturally, to the home market. Treadgold (1988) suggested that international expansion typically follows a pattern of reluctance, caution, then ambition and that as a retailer becomes more experienced in international trading, they enter

markets previously perceived to be high risk. McHarg et al (1992) suggested that British fashion retailers tended to follow a similar pattern of development to that identified by Treadgold, entering neighbouring markets first and then to those more culturally and geographically distant. Studies undertaken by Whitehead (1991), Lualajainen, (1991) and Treadgold (1991) on the direction of the international expansion of specific fashion companies supported these observations. Therefore, the third proposition is :-

"Internationalising fashion retailers initially expand into markets that are geographically, culturally, economically or linguistically similar to the home market. As such, the concept of psychic distance is a major factor in determining the direction of the international expansion of fashion retailers".

4.8.3 Methods of Market Entry adopted by Internationalising Fashion Retailers

The choice of market entry method adopted by the internationalising retailer serves to reflect the firm's assessment of the risks associated with a particular foreign market, the level of investment they are prepared to commit and the degree of control the company seeks to retain over foreign operations (Dawson, 1994). Organic growth was found to be the primary means of foreign market entry for firms such as Laura Ashley, (although the company also used in-store concessions and franchising within Europe), (Treadgold, 1991; McHarg et al, 1992) and Hennes and Mauritz of Sweden, (Lualajainen, 1991). Organic growth was the only method of market entry used by The Gap (Sternquist, 1997) and was initially the primary method used by Mothercare in the early days of their international market participation, after which these stores were transferred to franchise agreements. Fernie et al, (1997) found that organic growth and franchising were the most commonly used entry methods for fashion design companies. As such, the fifth proposition is :-

"Organic growth is the preferred form of foreign market entry for internationalising fashion retailers".

4.8.4 Strategies for Fashion Retailer International Expansion.

Salmon and Tordjman (1989) identify three strategies that an international retailer may adopt :- investment, global and multinational. Various studies have identified that the international fashion design houses adopt global expansion strategies, which requires little or no modification to their market mix and market positioning. (Hollander, 1970; Lualajainen, 1992; Fernie et al, 1997). Other studies of general merchandise retailers also indicate that these predominantly adopt a global approach to internationalisation, (Belussi, 1992; Crewe and Lowe, 1996), motivated, in part, by the desire to achieve maximum economies of replication.

Therefore, the fourth proposition is :-

"Internationalising fashion retailers when entering foreign markets, such as the British market, are more likely to adopt global growth strategies, as evidenced by a lack of modification to their marketing mix elements"

8.8.5. Critical Success Factors and Key Problems faced by Internationalising Fashion Retailers.

A variety of factors have been identified in order to explain the success of retail firms overseas and Hollander (1970) argued that there was little point in entering a foreign market unless the retail firm could exploit some form of differential advantage in order to obtain customer loyalty and achieve profitability. Other studies identified the central importance of an appealing brand image to the international success of fashion retailers (Simpson and Thorpe, 1996). Therefore, the sixth proposition is :-

"The achievement of success within international markets, and the British market in particular, is dependent upon the availability of a clearly defined and appealing brand identity.

Drawing from the literature related to fashion theory, it becomes apparent that cultural context has a fundamental role to play in determining the communicative and symbolic value of clothing, as well as designating which clothing items can be deemed to be 'fashionable' and acceptable within specific social groups. A lack of understanding of the nature and implications

of cultural difference across national markets has been identified as a primary reason for the

failure of many fashion retailers abroad (Hollander, 1970). The under-estimation of cultural

differences between markets, a lack of appreciation of how negative cultural influences impact

upon consumer attitudes and the refusal by fashion retailers to adapt their offering in order to

suit local cultural requirements are identified characteristics of fashion retailers that have failed

to achieve success outside their home market (Corporate Intelligence on Retailing , 1996). The

final proposition is expressed as follows :-

"The most significant problem that foreign fashion retailers face upon entry to the British market is related to the negative situations arising from the cultural environment within the local market"

Chapter Five which follows will delineate the methodology adopted for the investigation of the

propositions for the first stage of the empirical research for this study.

CHAPTER FIVE

METHODOLOGY FOR THE FIRST RESEARCH PHASE

Chapter Summary

This chapter sets out the research approach and methodology for the first stage of the empirical research. After providing an explanation of the research position adopted, the chapter delineates the sampling, operationalisation and data analysis issues associated with satisfying the identified research objectives.

5.1 INTRODUCTION

Chapter Two and Three served to underline the fact that, while the internationalisation of retailing has emerged as an important area of research interest, the field remains underdeveloped and requires further empirical research and generation of theoretical frameworks (Akehurst and Alexander, 1996; Alexander, 1997). In particular, Chapter Four indicated the paucity of research with respect to the international activities of fashion retailers, (Doherty, 2000), and of their activities within the British market.

Given that the focus of the research is to examine the internationalisation of fashion retailers, (principally within the context of their entry and activities within the United Kingdom market), and because of the lack of either an empirical or theoretical base in this area, it was decided to conduct a postal survey of all foreign fashion retailers operating within Britain as a means of addressing this 'research gap'. The remainder of this chapter serves to describe and justify the methodological approach adopted for the first phase of the empirical research of this study.

5.2   THE PHILOSOPHY OF SOCIAL RESEARCH.

While it is the case that the number of empirical studies concerned with retail internationalisation is relatively small, some studies have been derived from the use of mail surveys, such as Williams (1992); Myers (1995); Alexander (1996). However, prior to an examination of this method of data capture as used within this study, it is important that this form of quantitative research be set within a broader philosophical research framework.

5.2.1. The Positivist School

Hughes and Sharrock (1997) identify two contrasting philosophical standpoints / perspectives in respect of social research and these they define as the positivist and interpretivist schools. Accordingly, they state that the positivist school regards "reality as that which is available to the senses", and as such, suggest that this perspective sees there to be only two bone fide sources of knowledge :- the empirical and the logical. Gill and Johnson (1991) comment that positivism is invariably defined and described as a 'scientific' research approach, which finds its origins in the eighteenth century when it was maintained that social / human research must ape what was viewed as the logical and the seemingly irreproachable protocols of research activity within the natural sciences. By emulating the natural scientist's approach, positivist social researchers are concerned primarily with facts which have been "systematically discovered, and rigorously established by empirical means and which then can serve as an adequate ground for the proving of theories"(p. 48) (Hughes and Sharrock, 1997). As a result, the positivist regard humans, and their behaviour, as elements which can be objectified and examined with detachment (Frankfort-Nachmias and Nachias, 1996).

Given that the only legitimate forms of knowledge are either empirical or logical, the positivist perspective values facts alone, and so discounts the worth of value judgements or human

feelings. Ideas can only be claimed to constitute knowledge if these can be tested and validated

by empirical means. Thus, according to Gill and Johnson (1991), positivism is concerned only

with the objective, not the subjective, and recognises as valid 'hard facts alone'. Empiricism,

therefore, gives rise to a highly specific approach to research enquiry, which is generally

founded upon the development of concepts or hypotheses which, according to Hughes and

Sharrock (1997), are then translated into empirical indicators, which are observable, recordable

and measurable in an objective manner.

As such, positivists typically adopt a deductive research approach, whereby conceptual or

theoretical structures are developed prior to their being tested through empirical observation.

(This is in contrast, to the inductive approach adopted by the interpretivist school which

develops theory on the basis of post-observation). For the positivist, the decision to either

accept or reject the theory / hypothesis depends upon the extent to which there is empirical

evidence for that theory. Their deductive research approach is delineated in Figure 5.1

THEORY / HYPOTHESIS FORMULATION

OPERATIONALISATION - translation of abstract concepts into indicators or measures that enable observations to be made

TESTING OF THEORY THROUGH OBSERVATION OF THE EMPIRICAL WORLD

resulting in the decision to either

FALSIFICATION AND DISCARDING THEORY

CREATION OF, AS YET, UNFALSIFIED COVERING LAWS THAT EXPLAIN PAST AND PREDICT FUTURE OBSERVATIONS

Figure 5.1   The Process of Deduction. Source :   Gill and Johnson (1991)

Positivism, therefore, makes explicit demands of the researcher, notably in terms of their role in the process of data capture. Blalock (1982) argued that it requires the researcher to be objective and detached, avoiding at all times any emotional involvement. With the need for their objectivity, the researcher must recognise the distinction between fact and feeling, since the influence of their own feelings makes the activity "unscientific and worthless" since the subjective cannot be directly observed (Sanders and Pintey, 1983)

By virtue of the fact that empiricism is founded upon hypotheses which are, in turn, operationalised using variables which are observable, recordable and measurable, it is Hughes and Sharrock's (1997) observation that surveys and questionnaires have become the pre-eminent method of data capture by positivists researching in the fields of social science. Consequently, researchers of the positivist school, through their adoption of quantitative methods of data collection, rely predominantly upon statistical analysis as a means of validating their theories. Indeed, it is Gill and Johnson's (1991) contention that it is the process of testing and justifying ideas and theories that is more critical to the positivist research process, than any debate related to origins and relevance of the theories tested.

5.2.2 The Interpretivist School.

The interpretivist school exists at the opposite end of the philosophical spectrum from the positivist (Gill and Johnson, 1991). The distinction between the two schools is explained by Hughes and Sharrock (1997) who stated that the positivist approach is to view humankind and their activity, as subject matter which can be observed and understood from an objective distance. In contrast, the interpretivist school distinguishes between the subject matter of the natural sciences, with its focus upon animals and physical objects, with that of the social sciences, which is concerned with living, thinking human beings. Interpretivists reject the adoption of research methods and techniques used to investigate the non-human as a means of

researching the human (Frankfort-Nachmias and Nachias, 1996), and therefore, do not objectify humans, and their behaviour, as part of the research process, but instead seek to find ways of developing a sympathetic understanding of the context within which behaviour arises (Jankowicz, 1991).

Within this empathetic context, Hughes and Sharrock (1997) state that the interpretivist would argue that in order to gain meaningful insights into persons and their behaviour, a more participative and non-detached research approach is required. Such an approach may be justified on the basis that :-

"Knowledge of persons can only be gained through an interpretative procedure grounded in the imaginative recreation of the experiences of others to grasp the meaning which things in the world have for them. History, society, art, indeed all human products are the objectification of the human mind and not at all like material things....understanding such phenomena requires that the lived experiences of others be grasped through the apprehension of the thoughts and understandings that have gone into their production" (pg 98).

Given then, that the social world is essentially different in nature from the world of natural science, the interpretative school rejects the causal, mechanistic and measurement based method of the positivists and instead insists that the human observer, observing other humans, must find some way of accessing their world through what Hughes and Sharrock (1997) described as " an imaginative reconstruction" or "empathy".

The interpretivist perspective requires that the researcher, rather than being a detached observer, must become fully engaged and part of that which is being observed to gain meaningful insights and understanding of the situation. This difference in approach has important methodological implications. In arguing that the deductive researcher, through the development of hypothesis and theories prior to engaging in the research exercise is in fact imposing an external logic upon a phenomenon with an internal logic of its own, Gill and

Johnson (1991) stated that the interpretative school prefers a much less structured research methodology which would permit access to this internal logic and human subjectivity, unhindered by a priori suppositions. As such, while the positivist school uses quantitative research methods, the interpretative school relies instead upon qualitative methods since it is concerned with understanding the beliefs and motives underlying human behaviour rather than counting the instances of that behaviour (Jankowicz, 1991).

The interpretivist school necessarily rejects the positivist's deductive approach with its emphasis upon causal analysis and hypothesis testing. Instead, because of its recognition that the social world cannot be understood in terms of causal relationships since human actions are based upon the actor's interpretation of events, his or her social meanings, intentions, motives, attitudes or beliefs (Anderson and Sharrock, 1986), interpretivistism recognises human action to be purposive and that it can only be understood through subjective and empathetic means. As such, the logical ordering of induction is the reverse of deduction. It involves moving from observation of the empirical world to the construction of explanations or theories about the world based upon what has been observed. Within the deductive tradition, a conceptual and theoretical structure is therefore developed prior to empirical research. Theory is the outcome of deduction (Gill and Johnson, 1991). Table 5.1, adapted from Gill and Johnson (1991), seeks to distinguish between the positivist and interpretative schools.

Positivist	Interpretative
1. Deduction	1. Induction
2. Explanations via analysis of causal relationships and explanation by covering-laws (etic)	2. Explanation of subjective meaning systems and explanation by understanding (emic)
3. Generation and use of quantitative data	3. Generation and use of qualitative data
4. Use of various controls, physical or statistical, so as to allow the testing of the hypothesis	4. Commitment to research in everyday settings, to allow access to, and minimise reactivity among the subjects of research
5. Highly structured research methodology to ensure replicability of 1, 2, 3, & 4	5. Minimum structure to ensure 2, 3 and 4 (and as a result of 1).

Table 5.1 : A Comparison the Positivist and Interpretative Schools. Source : Gill and Johnson (1991).

In summation, Burrell and Morgan (1979) provided a resume of the salient features of both schools. The positivist approach is deductive and is based upon systematic protocols and techniques and focuses upon hypothesis testing using standardised research instruments. The positivist's primary concern is the measurement of manifestations of behaviour, as opposed to the gaining of an understanding of the purpose, intention and meaning of that behaviour. The interpretative standpoint is not measurement-bound and seeks instead to understand the subjective accounts of behaviour through the adoption of research methods that allow for access to the experience of the individuals and groups studied. A key feature of the interpretative school is the development of a posteriori understanding, whereby theory and knowledge are derived from empirical observations which take into account the subjects' meaning and interpretational systems. Gill and Johnson (1991) seek to combine the various research methods with each philosophical stand-point, as seen in Figure 5.2.

Positivist School		Interpretative School	
Laboratory ← → Quasi - ← → Surveys ← →		Action Research ← → Ethnography	
Experiments Experiments			
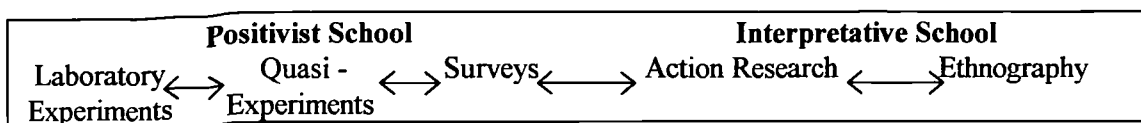
Figure 5.2 : Research Methods of the Philosophical Schools. Source : Based upon Gill and Johnson (1991).

5.2.3   Positivism and Marketing Research

Within the context of marketing research, the traditional philosophical standpoint has been positivist, as manifest in the heavy reliance upon quantitative research methods (Chisnall, 1991; Churchill, 1995). By way of explaining this reliance upon positivist methodologies, Baker (1991) suggested that, historically, American social researchers have invariably adopted a scientific research approach, primarily as a means of acquiring an air of respectability and credibility among their academic contemporaries. In view of the fact that marketing research,

both as an activity and an academic discipline, was developed mainly in the USA, Baker contested that it was inevitable that those developing the discipline should 'borrow' the principles of measurement and hypothesis / validity / reliability testing from their early training in social and /or scientific research.

Webb (1995) explained that the predominant use of quantitative research methods as part of marketing research can be explained by the many advantages these offer, not least in terms of the speed of data collection, the cost economies, as well as the potential to identify the characteristics of the population based upon small representative sample. In terms of disadvantages, Baker (1991) acknowledged that the positivist research approach imposes an external and potentially false logic upon the subjects studied through the use of pre-determined, structured questioning. Consequently, marketing research can be legitimately criticised for being primarily concerned with the measurement of manifestations of business behaviour, as opposed to the motivations, attitudes and feelings which may precipitate that behaviour (Frankfort-Nachmias and Nachias, 1996).

By way of responding to such criticisms, Baker (1991) noted the increased tendency by marketing researchers to integrate qualitative research approaches, such as in the inclusion of open questions and 'further / other comment' sheets within their largely quantitative marketing studies. This is done in order to acquire fuller insights into the human dimensions of business behaviour.

Yet, despite the various short-comings associated with the use of quantitative techniques in marketing and business research in general, there is also the recognition that some such techniques, such as in the form of the mail survey, provide an efficient and effective means of

generating macro environmental overviews of the activities of companies, particularly within an international context, (Hooley and Hussey, 1994; Webb, 1995). Similarly, Janesick (2000) suggested that a quantitative approach is a common and effective methodology to adopt for the first phase of a marketing study, (especially if the study is international), since it can provide parameters for subsequent in-depth studies of a qualitative nature. Similarly, quantitative techniques have been identified as a suitable method of data capture for studies which are of an exploratory nature and any deficiencies associated with this method can be cancelled-out by using qualitative methods in subsequent stages (Hooley and Hussey, 1994).

5.3 RESEARCH PROPOSITION.

It is proposed that that the empirical research for this study be conducted in two stages. The aim of the first stage is to re-examine, using quantitative techniques, the broad issues identified by previous research on international retailing, with the distinction that this study will consider these specifically in relation to the internationalisation of foreign fashion retailers operating within the UK market. By incorporating the findings of previous research, the study seeks to contribute to international retailing knowledge through its focus upon the retail fashion sector which has been largely neglected in the literature. From the quantitative findings of the first research phase, it is proposed these will serve to direct the second stage of the research which will consider the various issues in greater depth at a micro level using qualitative techniques.

At this juncture, it is acknowledged that the combining of quantitative and qualitative methodologies in the same study has been criticised by various commentators. As was identified previously, Anderson and Sharrock (1986) argued that the positivist and interpretivist schools emanate from fundamentally opposing viewpoints in respect of the nature

of research and as such, the two approaches are impossible to combine within a single study. Similarly, Hughes and Sharrock (1997) caution against the 'unthinking mixing' of ideographic and nomothetic methodologies on the grounds that these are based upon irreconcilable ontological and epistemological assumptions.

In contrast, Gill and Johnson (1991) argue that to select a methodology purely on the basis of an either/or dichotomy is 'fundamentally flawed' and fails to take due account of the opportunities afforded by a 'methodologically pluralist' position. Methodological pluralism recognises that information about man and society can be obtained through a variety of combined methods. This need not give rise to a philosophical conflict but, as suggested by Robson, (1993), it recognises that different kinds of complimentary data about a subject can be legitimately acquired using ideographic and nomothetic research techniques within the same study. Through this 'methodological triangulation', Jick (1979) argued that bias inherent to a single research method can be overcome, while Burrell and Morgan (1979) maintained that such triangulation serves to add credibility to a study by providing cross-checks through the convergence of research results using different research methods. Indeed, Gill and Johnson (1991) suggest that the combined use of qualitative and quantitative techniques serves to 'cancel out' the deficiencies inherent to each approach and provides the researcher with the benefits of both.

In addition, Fielding (1988) suggested that a pluralistic approach assists in the 'spanning of a macro-micro research divide' which would allow for the linking of a macro-structural analysis of society using quantitative means, with a micro analysis, by qualitative methods, of individual or specific group actions. This latter observation is relevant to the empirical research proposed as part of this study, since the first stage seeks to explore the macro issues of fashion

retailer internationalisation, while the second stage intends to consider these issues at the firm specific level.

5.4 RESEARCH METHODOLOGY.

The following section provides a justification of the use of mail surveys as the adopted means of data collection, as well as details of the sample selection, questionnaire design and implementation, and the methods of data analysis used in first stage of this study.

As a preliminary to that discussion, is important to note that, while a quantitative approach was adopted for the first stage of this study, no hypotheses were developed prior to its execution. The decision not to adopt the 'positivist convention' of defining, testing and then either accepting or rejecting hypotheses was based upon the realisation that this was essentially an exploratory study, derived from a prior research base that has given only a very partial consideration to the issues surrounding the internationalisation of fashion retailing. As such, it was felt that it would be impossible to confidently provide precisely defined and credible hypotheses for this study.

Furthermore, it has been suggested that hypotheses testing, which invariably demands the precise defining of dependent and independent variables, is not an appropriate 'starting-point' for studies which seek to investigate management behaviour, perceptions and attitudes (Easterby-Smith, Thorpe and Lowe, 1991). In such circumstances, Gill and Johnson (1991) instead suggested that general, more fluid, research propositions should be developed, but which can still be legitimately investigated using quantitative methods.

Within this context, a number of research propositions were developed and these were presented in Chapter Four. Derived from the literature on retailer internationalisation, these propositions are concerned with such issues as the fashion retailers' motivations for international expansion, methods of market entry, internationalisation strategies, factors critical to international success, as well as the problems and issues associated with foreign market entry. **Consequently, the focus of the first research phase is confined solely to the issues surrounding the internationalisation of fashion retailers' operations.**

While it is acknowledged that the internationalisation of retailing embraces more than the opening of stores abroad, and includes the internationalisation of sourcing and management know-how, as identified by Dawson (1994), and considered in depth in Chapter Three, is was decided that an exclusive focus upon the internationalisation of fashion store operations could be justified for three reasons. Firstly, as the review of the literature in Chapter Fours attests, no previous study appears to have considered in any depth the processes associated with the internationalisation of fashion store operations. Secondly, it was felt that to include a consideration of the processes associated with the internationalisation of fashion sourcing in particular, may result in the study becoming too broad and impossible to manage. Finally, it was assumed that the key issues associated with the internationalisation of sourcing and management expertise would emerge as part of the specific investigation relevant to the opening of stores abroad. Indeed within the second research phase in particular, the various links that exist between and among the internationalisation of store operations, sourcing and management know-how, became clearly evident.

As stated above, the research propositions for the first research stages are presented at the end of Chapter Four. By way of a reminder, these research propositions are re-presented in Table 5.2 below.

1. In deciding to engage in international expansion, fashion retailers are more likely to be motivated by proactive factors, such as perceived niche market opportunities within foreign markets, than reactive factors, such as home market saturation

2. In terms of their entry into the British market, the predominant 'pull' factors which attract foreign fashion retailers are those related to such dimensions as niche market opportunities and the availability of a brand that is appealing to British consumers

3. Internationalising fashion retailers initially expand into markets that are geographically, culturally, economically or linguistically similar to the home market. As such, the concept of psychic distance is a major factor in determining the direction of the international expansion of fashion retailers

4. Organic growth is the preferred form of foreign market entry for internationalising fashion retailers

5. Internationalising fashion retailers when entering foreign markets, such as the British market, are more likely to adopt global growth strategies, as evidenced by a lack of modification to their marketing mix elements

6. The achievement of success within international markets, and the British market in particular, is dependent upon the availability of a clearly defined and appealing brand identity

7. The most significant problem that foreign fashion retailers face upon entry to the British market is related to the negative situations arising from the cultural environment within the local market

Table 5.2 : Phase One Research Propositions.

As the remainder of this chapter will illustrate, these research propositions served to direct the questionnaire used in the postal survey and also provided the context for the subsequent data analysis and the presentation of the research results.

5.4.1   Justification for the Data Collection Method.

The first stage of the study takes a quantitative approach in the form of a postal survey. There are a number of benefits to be derived from the use of postal surveys, such as in relation to cost economies, speed of data collection and the elimination of interviewer error (Webb, 1995). The

adoption of the mail survey as a method of data capture for this study is further justified on the

grounds that :-

• the broad aim of the first research stage is to establish a macro level view of the international activities of, and the key management issues associated with, fashion retailers operational within the UK and that the use of a mail survey is the most time and cost efficient means of satisfying this aim;

• the number of companies eligible for inclusion in the survey is large (103) and the head office personnel, who alone could adequately provide the information required for the study, are based in 12 countries.

As will be discussed later in this Chapter, the postal survey also included a number of open-ended questions and 'further comment' spaces to give respondents the opportunity to express their own opinions and raise issues not contained within the questionnaire, as recommended by Czaja and Blair (1996). The disadvantages associated with the use of mail surveys, and how these were addressed in respect of this study, are discussed in later sections.

5.4.2 Sample Selection

There has been a steady rise in the number of foreign fashion retailers establishing a retail presence within the British market, particularly in the period 1988 to 1995. Corporate Intelligence on Retailing (1997) identified that foreign clothing retailers operated over 900 stores in the UK in 1995, accounting for 3% of the total number of clothing outlets in the UK. In addition, other reports, such as Verdict (1997), Mintel (1998), identified that the premium-priced, designer end of the British fashion market was dominated, in terms of number of stores and market share, by foreign fashion design houses, principally from France and Italy and the USA. Appendix 2 provides a review of the salient features of the British fashion market.

The initial sampling frame consisting of these foreign fashion retailers operational within the UK required for this study was provided by Corporate Intelligence on Retailing (1996; 1997).

Their study identified 83 foreign fashion retail companies that operated outlets within the UK in 1995. Their listing therefore became a sampling frame for this study and was then cross-referenced with more up-to-date information sources, including the fashion / retail trade press, general press reports, telephone directories and fashion internet sites, in order to identify company withdrawals or new entrants to the British market. These investigations identified there to be a total of 103 foreign fashion retailers, from a total of twelve countries, operating retail outlets within the UK as at February 1st 1998.

Inclusion on the list of 103 foreign fashion retailers was dependent on the following criteria :-

- The retailer was deemed to be 'foreign' on the basis of their head office and country of business registration / origin being within any country other than the UK;

- The UK market was deemed to include Scotland, England, Wales, Northern Ireland and the Channel Islands.

- The retailer must operate at least one retail outlet in the UK. Companies which operate solely in the UK as mail order firms or who export into the UK through wholesale agreements were not included in the listing since these did not operate outlets within the UK;

- The company retails, but not necessarily exclusively, fashion goods in the form of women's, men's or children's clothing, and / or accessories, such as hats, gloves, lingerie and nightwear. Footwear and leather goods retailers were not included in the listing provided by Corporate Intelligence (1996. Therefore, these retailers were not included in the sample for this study.

With 103 companies identified, it was decided that a full census would be taken. In so doing, it was hoped that the number of survey respondents be maximised to the benefit of this exploratory study.

5.4.3 Design and Development of the Mail Questionnaire.

The content of the mail questionnaire was drawn primarily from the various issues and dimensions of retail internationalisation, as identified in the literature and reviewed in Chapters Two to Four. As such, the questionnaire covered such dimensions as the nature and extent of their international market involvement; the motivations for foreign and UK market entry;

methods of market entry; characteristics of their operating strategy; critical success factors and problems encountered in foreign markets. In particular, the motivations for retail internationalisation, as well as the problems and critical success factors as identified by Williams' (1992) study, were used to inform the development of the questionnaire as part of this study. Table 5.3 outlines the structure and content of the questionnaire, and links the questions to the seven research propositions. Appendix 3 contains copies of the questionnaire in full.

Section 1 - International Market Involvement (Qns 1-7b)	
Question	**Research Proposition**
- Number of years export experience	For analysis purposes
- Number of years operating retail outlets abroad	For analysis purposes
- Number of years exporting into the UK	For analysis purposes
- Number of years operating retail UK outlets	For analysis purposes
- Time established before first exports began	For analysis purposes
- Time established before first foreign retail outlets opened	For analysis purposes
- Number of export countries	Proposition 3
- Number of operating countries	Proposition 3
- Number / Type of outlets abroad	Proposition 4
- First three export markets	Proposition 3
- First three operating markets	Proposition 3
- Most recent new export market	Proposition 3
- Most recent new operating market	Proposition 3
Section 2 - Reasons for International Market Involvement (Qns 8 - 9)	
Question	**Research Proposition**
- Motives for international expansion	Proposition 1
- Motives for entry into the UK	Proposition 2
Section 3 - Entry within International Markets (Qns 10 - 13)	
Question	**Research Proposition**
- methods of foreign market entry	Proposition 4
- methods of UK market entry	Proposition 4
- product range modification	Proposition 5
- price modification	Proposition 5
- advertising modification	Proposition 5
- promotional activity modification	Proposition 5

- store interiors / merchandising methods modification	Proposition 5
- customer service modification	Proposition 5
- critical success factors in the UK	Proposition 6
- key problems in the UK	Proposition 7

Section 4 Company Background (Qns 14 - 17)	
Question	**Research Proposition**
- percentage contribution of foreign sales to total sales	For analysis purposes
- percentage contribution of UK sales to total sales	For analysis purposes
- name and position of respondent	For analysis purposes
- company name and address	For analysis purposes

Table 5.3 : Structure and Content of the Mail Questionnaire

The questionnaire used a mix of question types. Dichotomous questions were used, for example, in the section which sought to identify the method of market entry adopted by the companies. Likert scale questions were also used, and these typically adopted a five point scale, ranging from 'of no importance' to 'of great importance'. These scales were used in order to measure respondent's attitudes towards a range of factors, including motivations for international expansion, factors critical to success within the UK market, as well as the problems associated with UK trading. Diamantopoulous and Schlegelmilch (1997) acknowledged that some purists would argue that Likert scales use ordinal intervals and therefore must not be subjected to statistical forms of analysis devised for interval scales. However, it is their contention that Likert scales can be treated as interval, (and analysed as such), provided the response alternatives on the scale are numbered in such a way as to communicate to respondents that the intervals between the scale points are of equal distance. In this study the scale responses were so ordered in order to clearly communicate an 'equal distance' between each.

Open questions were the third type of question used in the instrument and these were used liberally in order to provide respondents with the opportunity to introduce issues not covered in the questionnaire and to allow them the opportunity to provide examples to further illustrate their experience of international operations. These responses were analysed manually on a thematic / key word basis, as recommended by Webb (1995).

The foreign fashion retailers eligible to participate in this survey were from twelve different countries, the majority of which were non-English speaking. In order to maximise the response rate to the questionnaire, it was decided to translate the questionnaire from English into French, German and Italian. These languages were selected in the basis that these were the trading languages for the vast majority of the retailers identified (92 of the 103). Of the remaining 9 companies, a request was made directly by telephone to the management group responsible for retail operations within the British and other foreign markets. In each case, the senior manager's secretary or personal assistant was spoken to in English, whereby the general details of the research were explained and the question was asked as to which of the four languages, English, French, German and Italian would best suit match the linguistic competency of the manager concerned. English was found to be the preferred language for the Japanese, Danish, Swedish and Dutch managers, while one Spanish manager's preference was found to be French, while the other's was also English. Of the 9, 3 replied to the questionnaire.

The questionnaires were translated by three professional translators, employed as such by the European Commission in Brussels. In order to ensure consistency and accuracy, these questionnaires were independently translated from French, Italian and German were back-translated into English by specialist lecturers in these respective languages employed by Glasgow Caledonian University. The Italian and German translations were found to translate perfectly back into the original English style. A small number of minor discrepancies were

found with respect to the French translation, however, after consultation with a third specialist, these differences were resolved. It is understood that this protocol is one that is most commonly used by professional translators.

5.4.4 Piloting the Questionnaire

As part of the process of pre-testing, the questionnaire was piloted among four companies. The UK marketing managers for American, French, Italian and German fashion operators, all of which were based in London, were asked to complete the questionnaires in the respective languages. These managers were selected on the basis of their accessibility, linguistic competence, as well as their knowledge of their company's international trading. Each agreed not to engage in any form of communication concerning the questionnaire with anyone within their organisations, which meant that pre-testing could occur without their companies being withdrawn from the overall list of eligible companies.

Those involved in the pre-testing were invited to comment on the questionnaire in terms of content, the wording of questions, ease of completion, structure and sequencing of questions. Among the revisions suggested and subsequently implemented were as follows :-

- a question relating to company turnover and profitability was removed for reasons of company confidentiality;

- a question relating to the value of sales derived from foreign and UK markets was changed to percentage contribution of total sales derived from foreign and UK markets for reasons of company sensitivity / confidentiality;

- a question relating to the total number of staff employed abroad was removed on the basis that this level of information was unlikely to be readily available since many firms operate as subsidiary companies, or under franchise and concession agreements, and responsibility for staffing is therefore devolved to the local partner;

- a question relating to the percentage of sales derived from export sales and retail sales was removed on the grounds that this type of information is not always readily available. In addition, it was felt that this was a particularly sensitive issue and respondents would be unwilling to provide this information.

All of these changes were incorporated into the questionnaire, as were minor amendments to the wording of questions and their sequencing. It was also recommended by the pre-testers that given the volume of requests for information that senior management in fashion companies receive, as well as the generally flamboyant nature of the industry, that the questionnaire be presented in an innovative, eye-catching manner in order to encourage high response rates.

5.4.5 Administering the Questionnaire.

A number of disadvantages in respect of the use of mail surveys have been identified. These include the researcher's lack of control over who completes the questionnaire or of their competency to do so; the possibility that the respondent is unable to understand the questions, as well as the potential for high levels of non-response (Chisnall, 1991; Czaja and Blair, 1996).

Webb (1995) suggested a number of measures that can be used to overcome these difficulties and to ensure a high response rate for a mail survey, in particular. Among the recommendations he makes are that only those personnel directly relevant to the study be sent the questionnaire and that attempts be made to obtain the correct name and address of the person most able to complete the survey. In addition, Webb suggests that a covering letter explaining the objectives of the research and assuring respondent confidentiality be included, as well as a pre-paid envelop for the return of the questionnaire. After a reasonable time has elapsed, a follow-up telephone call or facsimile message should be sent to non-respondents, and then a second copy of the questionnaire should be sent.

All of these recommendations were followed for this study. Included in the covering letter was the offer to provide respondents with a copy of the results of the survey. On the recommendation of the individuals involved in the pre-testing of the survey, in order to ensure that the questionnaire attracted the attention of prospective respondents, it was wrapped in

coloured paper, sealed with a tartan stamp and sent in a vibrantly coloured mailing tube. In addition, a box of Scottish shortbread was included in each parcel. On the advice of the pre-testers, the questionnaire was addressed directly to the person responsible for international retail marketing, their name having been identified using internet sites, corporate publications or by telephone requests. Their designations included Vice-President of International Marketing, Corporate Development Manager, International Retail Operations Director, Marketing Director and Buying Director. In such instances where the person responsible could not be identified by name, the questionnaire was addressed generally to the Director of International Marketing.

The first air-mailing of the questionnaire took place the week commencing 9th February 1998. A total of forty-eight replies were received from this mailing, of which, forty-five were useable. Facsimiles were sent to non-respondents the week commencing 9th March 1998 and a second air-mailing of the questionnaire was sent the week beginning 6th April 1998. As part of the second mailing, a cartoon of an irate Scotsman was fixed to the mail envelope with the phrase Scotland Calling - Why will you not answer me?" attached. The second mailing attracted a further nineteen responses, of which fifteen were useable.

Nine companies stated that it was not company policy to participate in research studies, or that the information sought was commercially sensitive and could not be disclosed. One company refused to complete the questionnaire on the grounds that they suspected that the survey was being undertaken by a rival company. A total of sixty foreign fashion companies provided useable responses to the mail survey.

5.4.6 Data Analysis

The collected data was statistically analysed using the SPSS for Windows software package. The process of analysis involved a number of stages and these are detailed below.

The first stage of analysis was descriptive in nature and examined the profile of responding companies in terms of their type, country of origin, international trading characteristics in general, as well as those related to the UK market, in particular. Table 5.4 lists the key areas that were examined in this stage of the analysis. All of these dimensions were examined using frequency counts.

Respondent Features Examined
• Respondent type
• Country of origin
• International sales as a percentage of total sales
• Number of export countries
• Number of operating countries
• Total number of foreign outlets
• Number of years exporting & operating abroad
• Years established before exporting and operating stores abroad
• UK sales as a percentage of total sales
• Total number of UK outlets
• Number of years exporting & operating in UK

Table 5.4 : International Characteristics of Respondents Examined.

The next stage examined the differences between groups of respondents with respect to a number of dimensions of internationalisation such as motives, entry methods, critical success factors and problems encountered. However, in order to extend the statistical analysis of these dimensions beyond frequency counts and to compare the differences between groups of respondents, it was necessary to divide the fashion retailers into discrete sub-groups. This would therefore allow for the comparison of group means through the application parametric tests, such as the oneway analysis of variance (anova).

No clearly established and universally accepted categorisation of the international fashion retailers is available. However, drawing from the various categorisations and descriptions used within such studies of international fashion retailing activity provided by Hollander, (1970), Fernie et al, (1997); Corporate Intelligence on Retailing, (1997), Verdict, (1997), Emap, (1997), and Mintel, (1998), it is possible to identify four broad types of international fashion

retailer, as determined by their product focus, the number of stores and their size, market

positioning and target customers. The groupings are identified in Figure 5.3 :-

1. **The product specialist fashion retailers** : These are companies that focus upon a narrow and specific product range, such as Hom Underwear, La Senza, Tie Rack, Nike, Sock Shop and Jacadi and have a clearly defined target customer group either based upon demography, (such as childrenswear), gender, (such as La Senza and Hom Underwear), or a specific interest, (such as sport and Nike and Reebok). While there are some obvious exceptions, such as Nike Town, these retailers typically operate small scale stores either within busy customer traffic sites, such as adjacent to airports / railway stations or major mass market shopping areas, such as Oxford Street in London, and Fifth Avenue, in New York.

2. **The fashion designer retailers** : Fernie et al, (1997) provided a clear definition of the international fashion designer retailers which states that these have an international profile in the fashion industry as evidenced in their having a bi-annual fashion show in one of the international fashion capitals, (i.e. Paris, Milan, London and New York) and have been established in the fashion design business for at least two years. These firms retail merchandise through outlets bearing the designer's name, (or an associated name), within two or more countries and market their own label merchandise.

Company examples of this group include Gucci, Valentino and Chanel, who normally locate within premium locations within capital and other important cities.

3. **The general merchandise retailers** : Mintel (1998) identified these as retailers that include a mix of fashion and non-fashion goods within their merchandise offer. Examples include Department stores such as Marks and Spencer, Harrods and Sogo. These foreign stores are often located within key shopping centres and tourist locations, the merchandise offer increasingly extends beyond two trading floors (Corporate Intelligence on Retailing, 1997).

4. **The general fashion retailers** : Unlike the product specialist fashion retailers which tend to concentrate upon one or two fashion product groups, the general fashion retailers are described by Mintel (1998) as offering a broad range of fashion merchandise and accessories, either to a broad (e.g. The Gap) or highly defined target segment (e.g. Kookai). This group are typically low to mid-priced and locate in 'city-centre' locations so as to allow maximum access for mass market customers (Corporate Intelligence on Retailing, 1997).

Figure 5.3 - The Four Types of International Fashion Retailer Source : Hollander, (1970), Fernie et al, (1997, 1998); Corporate Intelligence on Retailing , (1997), Verdict, (1997), Emap, (1997), and Mintel, (1998).

The categorisation of each of the sixty responding fashion retailers was based upon reference to

the above criteria and was cross-checked with the listings provided by Corporate Intelligence

on Retailing (1996; 1997), Verdict, (1997), Emap, (1997), and Mintel, (1998). Of those respondents not included in these various listing, these were classified using information obtained from company reports and other corporate publications. Where this information was unavailable, the retailer's head offices in the UK were contacted by telephone and senior management were asked to identify which of the four categories best defined their businesses.

Once the processes of categorisation had been completed, the mean scores of the sub-categories of foreign fashion entrants to the UK were compared using the oneway analysis of variance (anova) test. This parametric test is used to compare the means of three or more independent samples. Diamantopoulos and Schlegelmilch (1997) explain that this test involves the comparison of the estimate of the between-groups variance with an estimate of the within-groups variance, and is achieved by dividing the between-groups variance by the within-groups variance. The result of the test is the F ratio which identifies whether a significant difference exists between one or more of the means. The F ratio does not indicate, however, where that difference lies. Consequently, a post hoc test, called the Scheffe test, is normally used in order to identify where the difference exactly lies. Table 5.5 identifies the various dimensions of retailer internationalisation that were analysed, and the statistical technique that used.

Dimension Analysed	Statistical Technique
Motives : all respondents	Frequencies
Motives : by fashion retailer type	Oneway Anova
UK Motives : all respondents	Frequencies
UK Motives : by fashion retailer type	Oneway Anova
Initial / Recent Export Markets	Frequencies
Initial / Recent Operating Markets	Frequencies
Methods of Market Entry	Frequencies
Entry method : by fashion retailer type	Chi-square
Modification of Marketing Mix Elements	Frequencies
Modification : by fashion retailer type	Chi-square
Success factors : all respondents	Frequencies
Success factors : by fashion retailer type	Oneway Anova
Problems : all respondents	Frequencies
Problems : by fashion retailer type	Oneway Anova

Figure 5.5 : Statistical Techniques used to Explore Dimensions of Retailer Internationalisation.

5.5 : LIMITATIONS OF THE FIRST RESEARCH PHASE

There are three limitations associated with the first phase of this research which are derived principally from the use of a mail questionnaire as a method of data collection, and these can be delineated as follows :-

1. The use of a postal questionnaire may have failed to provide respondents with the opportunity to express their own opinions or provide information on areas not covered by the questionnaire;

2. The questionnaire took a macro view of the international activities of fashion retailers and as a results failed to provide the opportunity to gain insights at the micro level, of the actual experience of specific retailers, in specific settings;

3. The questionnaire was addressed to one person and was therefore likely to have been completed by that person. As such, their responses may be criticised for being subjective, presenting perceived, as opposed to actual, behaviour. Researchers in the area of retail internationalisation, such as Alexander (1997), have questioned the 'trustworthiness' of retailers explanations of international activity undertaken in the past since respondents may not have been directly involved in such events and / or their recall and explanation of the past may have become distorted by a posteriori rationalisation.

As has been explained previously in the section concerned with the design of the postal questionnaire, attempts were made to overcome the first limitation by including as many open ended questions as possible in order to encourage respondents to provide details of their own company's experiences and to raise issues not covered by the questionnaire. As the reporting of the survey findings in the following chapter illustrates, many respondents used the opportunity to express their own opinions, provide company-specific examples, and raise issues not covered by the questionnaire.

In respect of the two other limitations identified, by way of defending the approach taken, it is important to note that the first stage of the study is essentially exploratory in nature. In so doing, it provides for a macro overview of the international activities of fashion retailers in general and of their activities within the British market, in particular. This macro overview provides direction and informs the second research stage which will examine the issues associated with internationalising fashion retail operations in-depth using qualitative

techniques. These qualitative techniques will involve interviews with various personnel from a variety of foreign fashion retailers operating within the UK. This will therefore compensate for the single perspective focus of the first research stage. Overall, it could be argued that the limitations identified are, to use Webb's (1995) observation, 'a necessary evil' which provide more opportunities for the researcher than problems.

5.6 CHAPTER SUMMARY.

The aim of the first stage of the empirical research for this study was to explore the macro-level issues associated with the international activities of fashion retailers and of their activities within the UK market, in particular. The purpose of this chapter was to explain and defend the methodological approach adopted in order to satisfy the aims of the research.

The chapter began by placing the study within a wider philosophical framework, and as such, two divergent research approaches in the form of the positivist and the interpretivist schools were examined. Based upon these reflections, the research position for this study was presented and an explanation given that a quantitative approach would be adopted for the first stage of the study so as to provide a macro overview of the issues surrounding the internationalisation of fashion retailing which would inform and direct the qualitative research approach of the second phase.

The various stages of operationalising the research were described and defended, and the issues surrounding the decision to base the research upon broad research propositions, rather than specific hypotheses was explained. Full consideration was also given to the methods of sample selection used, the design and pre-testing of the postal questionnaire and the statistical techniques used in order to analyse the data. Integral to this latter stage was an explanation of the classifications used in order to sub-divide the data so that meaningful insights and

comparisons could be made in respect of the international activities of various types of international fashion retailers. The chapter concluded by considering the limitations of the study and the measures taken in order to compensate for any weaknesses within the research approach.

Chapter Six presents the key findings that emerged from the first stage of the empirical research.

CHAPTER SIX

FINDINGS OF THE FIRST RESEARCH PHASE

Chapter Summary

This chapter presents the findings from the first empirical research phase. It begins with a profile of the fashion retailers that responded to the mail survey. The motivations for their international expansion are considered, as well as their reasons for entering the UK market. The direction of their international expansion and the methods of foreign market entry are examined. Modifications to their market positioning within the UK, the factors critical to their success, and the barriers to success are sequentially considered.

6.1 INTRODUCTION

The aim of the first stage of the empirical research for this study is to explore a number of dimensions relating to the operations of foreign fashion retailers within the British market. The findings of this stage are presented in this chapter and are derived from the seven research propositions presented in Chapters Four and Five. In their distilled formed, these propositions are concerned with the following :- the nature and characteristics of the foreign fashion retailers' international representation; the motives for international expansion; the direction of that expansion; the methods of market entry employed; the adjustments made to their market positioning in response to UK market conditions; the key factors for success within the UK market, as well as the problems encountered as part of trading within the UK.

The seven research propositions provide a structure for the presentation of the research findings. The chapter concludes with a summary of the key research findings and an assessment of whether the research propositions outlined in Chapter 4 are supported by these findings. The conclusion section also considers areas to be further investigated as part of the next stage of the empirical research.

6.2 PROFILE OF RESPONDING FASHION RETAILERS

As discussed in the previous chapter, questionnaires were sent to one hundred and three foreign fashion retailers which satisfied the selection criteria. Of these, sixty firms provided useable returns, giving a high response rate of 58.2%. The sixty responding companies can be readily categorised in two ways, firstly by type, (based upon their product/market focus) and secondly by their country of origin.

In Chapter 4, it was acknowledged that no competent scheme for the categorisation of international fashion retailers appears to exist. However, based upon previous studies, four categories of fashion retailer were identified in Figure 4.1, page 116, as follows :-

1. **The product specialist fashion retailers;**

2. **The fashion designer retailers;**

3. **The general merchandise retailers;**

4. **The general fashion retailers.**

Based upon other secondary data, primarily Corporate Intelligence on Retailing (1997) and Verdict (1997), it was identified that the population of foreign fashion retailers within the UK was confined to the product specialist, designer retailers and general fashion retailers. Two Japanese department store companies, both operating stores within Central London, initially appeared to fit the third categorisation of general merchandise retailers. However, after communication with both companies, it became obvious that these ought instead to be categorised as general fashion retailers since over 95% of their merchandise range was dedicated to clothing and fashion accessory products.

Each of these three categories of international fashion retailer was fairly well represented within the group of 60 responding companies as is detailed in Table 6.1 below :-

Type	No. within overall Population	No. of Respondents	Precentage response
Product Specialist	23	15	65%
Design House	51	27	53%
General Fashion	29	18	62%
Total	103	60	58%

Table 6.1 : Profile of Responding Fashion Retailers by Type.

Respondents can also be classified by their country of origin. Table 6.2 records the total response rates in terms of country of origin.

Country of Origin	No. within overall population	No. of Respondents
FRANCE	35	24
USA	22	15
ITALY	24	14
AUSTRIA	1	1
GERMANY	8	2
JAPAN	2	1
CANADA	1	0
SPAIN	2	1
HOLLAND	2	0
EIRE	3	1
DENMARK	2	1
SWEDEN	1	0
TOTAL	103	60

Table 6.2. Profile by Responding Fashion Retailers by Country of Origin.

Having broadly categorised respondents by their product/market focus and by their country of origin, the following section will initially identify the extent of respondent's international involvement and will then consider the nature of their involvement within the United Kingdom market.

6.3 INTERNATIONAL PROFILE OF RESPONDENTS.

A number of measures were used in order to examine the nature and extent of the international involvement of the responding fashion retailers, such as the contribution of international sales to total sales, the number of countries into which these export, and operate retail outlets, the number of foreign outlets that respondents have, as well as the length of time in which the retailers have been involved in foreign markets. The application of each of these measures clearly indicates that the extent of international market involvement is considerable for the majority of responding firms, not least in terms of the contribution to total sales derived from these foreign markets, as evidenced below.

6.3.1 Contribution of International Sales to Total Sales.

Sales from foreign markets were found to contribute significantly to respondent's total sales. For almost half, (47%), international sales accounted for more than 50% of total sales, while for 95% of respondents, the contribution of international sales was not less than 21%. None of the respondents reported an international sales contribution of less than 5% of total sales. An analysis of the international sales contribution does however indicate that the extent of that contribution varies by type of fashion retailer. For example, the contribution to total sales from foreign markets was 63% for designer retailers, compared to 22% for general fashion respondents. Table 6.3 reports the international sales contribution for all respondents, as well as by type of fashion retailer.

% of total sales	All n = 60	General n = 18	Designer n = 27	Specialist n = 15
5 - 10	3.3%	11.1%	--------	--------
11- 20	--------	--------	--------	--------
21- 30	5%	11.1%	3.7%	
31- 40	20%	38.9%	7.4%	20%
41- 50	25%	16.7%	25.9%	33.3%
over 50%	46.7%	22.2%	63%	46.7%

Table 6.3 : International Retail Sales as a Percentage of Total Sales.

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6.3.2 Representation within Foreign Markets.

The extent of the international involvement of respondents, as measured by the number of countries into which these export and operate retail outlets, was also found to be significant. 70% of respondents exported into more than 20 countries, while 15% exported into over 80 countries. Fashion designers exported into the largest number of countries, with 25% involved in more than 60 national markets. As Table 6.4 indicates, general fashion retailers exported into the smallest number of markets. Within each category, it was noted that one or two respondents participated in a disproportionately high number of foreign markets which in turn disrupted the mean number of export and operating markets for the category. Consequently, the use of averages was abandoned in favour of the reporting of mode and 'range' figures.

Category of fashion retailer	All n = 60	General n = 18	Designer n = 27	Specialist n = 15
Mode number of export countries	41	5	43	28
Range of export countries	1-93	0-39	12-93	5-68

Table 6.4 : Number of Export Countries.

The mode number of countries within which responding companies operated retailer outlets was 14. Designer and specialist fashion firms had outlets in the most number of countries, with 33% of designer and 15% of speciality retailers operating outlets in more than 30 countries, while two-thirds of general fashion retailers operated in ten countries or less (see Table 6.5).

Category of fashion retailer	All n = 60	General n = 18	Designer n = 27	Specialist n = 15
Mode number of operating countries	14	3	22	13
Range of operating markets	2-68	2-10	9-68	6-41

Table 6.5 : Number of Countries with Retail Outlets

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6.3.3 Number of Foreign Outlets.

The number of foreign outlets, (defined as store or concessions, but not wholesale stockist outlets), that the respondents operate is reasonably large. General fashion retailers had the smallest number of foreign outlets, with an average of 49. In contrast, the designer fashion retailers had the largest, with an average of 187, with one design house reporting that they operated 511 outlets and department store concessions world-wide. Table 6.6 indicates the number of foreign outlets in operation.

Number of Outlets	All	General n = 18	Designer n = 27	Specialist n = 15
less than 10	5	5	-	-
11-49	13	7	3	3
50 - 100	21	5	9	7
101 - 200	12	1	7	4
201 - 300	5	-	5	-
301- 400	3	-	2	1
401 - 500	-	-	-	-
500 +	1	-	1	-
Mode	53	46	155	69
Mean	121	49	187	81

Table 6.6 : Total number of Foreign Outlets in operation.

6.3.4 Experience of International Involvement.

As expected, given that exporting is typically a preliminary to direct forms of activity within a foreign market, respondents were found to have had longer experience of exporting than operating retailer outlets abroad. While 26 had exported their fashion products for more than 20 years, only 7 have operated retail outlets for as long. 10% of firms did not export and the majority of these were general fashion retailers. The fashion designers had the longest experience of exporting, with more than half having done so for more than 20 years, closely followed by 53.3% of specialist fashion firms. In comparison, only 16.7% of general fashion retailers had more than 20 years of export experience.

General fashion retailers had the longest experience of operating outlets abroad, (4 having done so for more than 20 years), while designer fashion retailers had the least. Of this latter category, almost one third had operated foreign outlets for less than five years. This concurs with Fernie et al's (1997) study which noted that the most prolific of the international fashion design houses, such as Tommy Hilfiger, DKNY and Dolce e Gabbana, first extended abroad in the early 1990's. The length of time in which respondents have engaged in exporting and the operation of foreign outlets is provided in Table 6.7.

Years exporting	All n = 60	General n = 18	Designer n =27	Specialist n = 15
less than 10	6	4	1	1
11 - 20	22	7	11	4
20 +	26	3	15	8
Do not Export	6	4	-	2
Years operating outlets abroad	All n = 60	General n = 18	Designer n = 27	Speciality n = 15
less than 5	12	1	8	3
6 - 10	30	7	15	8
11 - 20	11	6	2	3
20 +	7	4	2	1

Table 6.7 : Number of Years Experience in Exporting and Operating Outlets Abroad

If the period between the establishment of a company and the time of their first entering foreign markets, either indirectly through exporting or directly through the operation of stores is short and can be regarded as an indication of a firm's international orientation, then clearly the majority of responding companies can be described as having an international propensity and commitment. Respondents typically engaged in export activity soon after their establishment. 20% of exporting firms did so within two years, while one third of designer retailers began to export within the same period. The 'speed' by which designer retailers, in particular, engage in international trading was explained by one respondent as being due to their recognition that extensive foreign market participation is central to the creation of an international brand allure.

All of the companies that do export stated that they had begun to do so within the first twenty years of trading.

The opening of outlets abroad took slightly longer. Only 5 of the 60, (all of whom were designer companies) did so within the first two years of being in business, although the majority did so within the first ten years. 22 of the 27 designer retailers had foreign outlets after ten years trading, while for 20% of specialist and 11.1% of general fashion retailers, foreign outlets were opened only after the company had been established over twenty years. One specialist retailer had operated for over fifty years in France before opening their first foreign store in Belgium (see Table 6.8).

Years Established before Exporting	All n = 60	General n = 18	Designer n = 27	Speciality n = 15
less than 2	11	4	5	2
2 - 10	30	7	17	6
11 - 20	13	3	5	5
more than 20	-	-	-	-
Not applicable	6	4	-	2
Years Established before Operating Abroad	All n = 60	General n = 18	Designer n = 27	Speciality n = 15
less than 2	5	-	5	-
2 - 10	25	5	17	3
11 - 20	25	11	5	9
more than 20	5	2	-	3

Table 6.8 : Years established before Exporting and Operating Retail Outlets Abroad.

6.3.5 Summary of the International Profile of Respondents

From these various trading dimensions, a picture of the international involvement of the respondents emerges which underlines the significance of foreign markets to their overall sales performance, identifies the breadth of their foreign market coverage achieved through exporting and retailing, as well as the significant foreign market representation that these have

achieved through their operation of retail stores. In addition, from this emerging picture, differences can also be seen between the different 'types' of fashion retailer, whereby designer and specialist fashion retailers appear to be more international in their outlook as evidenced by the speed of their internationalisation after establishment and the number of countries and outlets that these have established within a relatively short period of time. In contrast, while the general fashion respondents were found to be the most experienced in terms of operating stores abroad, these firms were represented within the smallest number of markets, with the smallest number of outlets, and would appear to be reluctant, (cautious even), in their international involvement.

6.4 REPRESENTATION WITHIN THE UNITED KINGDOM.

Given that the focus of this study is concerned with the activities of foreign fashion retailers within the United Kingdom, this section will examine the trading characteristics of respondents within the British market using the same international performance indicators used in the previous section.

6.4.1 Contribution of UK Sales to Total Sales.

The United Kingdom was found to be an important market in terms of its contribution to overall sales, accounting for at least 5% of total sales for 50% of respondents. Given that respondents exported to between 1 and 93 markets, and operated stores within 2 and 68 countries, and that for one third of respondents, the British market contributed between 5-10% of total sales, while for ten firms the contribution level was over 10%, it is perhaps no surprise that a respondent from an Italian design house wrote - "In terms of turnover, the UK is for most fashion retailers, the most important market in Europe". Table 6.9 reports the

contribution of UK sales to total sales for the total number of respondents, as well as by type of

fashion retailer.

% of total sales	All n = 60	General n = 18	Designer n = 27	Specialist n = 15
less 5%	30	10	12	8
5 - 10%	20	5	11	4
11 - 20%	8	2	3	3
21- 30%	1	1	-	-
31-40%	1	-	1	-
41 - 50%	-	-	-	-
over 50%	-	-	-	-

Table 6.9 : UK Sales as a Percentage of Total Sales.

The UK market is particularly important for designer retailers, contributing at least 5% of

total sales to 55% of designer companies, and 37% of total sales for one American fashion

design house. This concurs with previous studies, (Verdict, 1997), which identified significant

British demand for American designer brands in particular.

6.4.2 Number of UK Outlets.

Despite the significant contribution of the British market to total sales, the number of outlets

operated by foreign fashion firms within Britain was modest. On average, respondents had 8

UK outlets. Fashion designers had the smallest average with 4, while general fashion firms had

the largest, with 26. Indeed, one general Paris-based retailer reported that they operated 53 UK

stores. Table 6.10 provides details of the total number of outlets operated within the UK.

Total No. of UK outlets	All n = 60	General n = 18	Designer n = 27	Specialist n = 15
less than 10	41	8	27	6
11 - 20	11	4	-	7
21 - 30	5	3	-	2
31 - 40	1	1	-	-
41 -50	1	1	-	-
50+	1	1	-	-
Mean no of outlets	8	26	6	13
Mean no of outlets in each market	4	12	5	4

Table 6.10 : Total Number of UK Retail Outlets

In terms of the number of stores within the British market compared to that of other foreign markets, the average number of UK stores was twice as many as the average number of foreign stores. In particular, as Table 6.10 indicates, the representation of general and specialist fashion retailers within the UK was significantly greater than their international average.

6.4.3. Experience within the UK market

Participation within the UK market, either through export or the operation of retail outlets, is a relatively recent activity for the majority of respondents. While 41.7% of respondents have engaged in exporting for more than 20 years, only 23% have exported into the UK for as long, with 47% of companies having exported into the UK for less than 10 years. Specialist fashion retailers were the most experienced exporters into Britain, (33% having done so for more than 20 years), while 61% of general fashion retailers have for less than 10 years. One American retailer, specialising in underwear and nightwear, has exported into the UK for 45 years, while a French design house has done so since 1935.

Experience of operating outlets within the UK was even more limited among respondents, while 12 firms reported having operated within foreign outlets for less than 5 years, 31 respondents opened their first British outlets within the past five years. Designer fashion retailers were the most recent entrants, 24 of the 27 having opened their first British store in the past ten years. Indeed, almost half opened their first British store in the period 1995-1996. Table 6.11 outlines the length of time in which respondents have exported and operated outlets within the UK.

Years exporting into the UK	All n = 60	General n = 18	Designer n =27	Speciality n = 15
less than 10	28	11	13	4
11 - 20	12	2	6	4
20 +	14	1	8	5
Do not Export to the UK	6	4	-	2
Years operating outlets in UK	All n = 60	General n = 18	Designer n = 27	Speciality n = 15
less than 5	31	7	14	10
6 - 10	15	4	10	1
11 - 20	8	4	1	3
20 +	6	3	2	1

Table 6.11 : Years of Experience in Exporting and Operating Retail Outlets in UK.

6.4.4 Summary of the UK Profile of Respondents.

While it is the case that the majority of respondents have been recent entrants to the British fashion market, (in terms both of exporting and the operation of retail outlets), the average number of stores that these operate within the British market is greater than that for foreign markets in general. Furthermore, despite their limited experience of UK trading, the sales contribution derived from the UK market is proportionately significant. Differences exist between the types of respondent in terms of the characteristics of their UK trading, with specialist retailers the most experienced exporters, general fashion retailers the most experienced and prolific store operators, while the contribution of the British market to total turnover was the highest for designer entrants.

6.5 MOTIVATIONS FOR INTERNATIONALISATION

The descriptive statistics presented in Table 6.12, which report the extent to which a range of motivations have had an impact upon the respondent's decision to internationalise, indicate that for the majority of firms this decision was based upon what have been previously classified as 'proactive' factors. For 73% of firms, the availability of a brand with an international appeal had a strong / very strong bearing upon their decision to internationalise. This finding is consistent with Dawson's (1994) earlier observation that the availability of a well defined brand identity, with a pan-national appeal, often serves as the corner-stone for the successful international expansion of fashion retailers. Indeed, given that representation within foreign markets has been recognised as an important method of creating an allure of cosmopolitan sophistication for a fashion brand, (Hollander, 1970; Fernie et al, 1997) it is perhaps no surprise that for 65% of firms the prestige associated with foreign markets had a moderate to very strong influence upon their decision to internationalise. Most important of all was the desire to exploit nice opportunities within foreign markets, and this factor was a strong / very strong influence upon 77% of respondents.

Growth factors, such as those associated with the size of foreign markets and their levels of economic prosperity proved to have a strong / very strong influence for 55% and 58%, of respondents, respectively. However, factors related to the weaknesses and failures, and hence the opportunities inherent to foreign markets, did not motivate respondents, as is evidenced in the high negative response rates for such dimensions as the lack of significant competition abroad (60%), relaxed foreign regulatory conditions (55%), favourable exchange rates (53%) and the under-development of the retail format abroad (63%).

Issues, such as those associated with home market saturation and increasing levels of competition at home, have been previously identified as among the most significant 'reactive' factors which precipitate retailer internationalisation (Alexander, 1997). The results of this study would suggest, however, that the responding firms do not typically engage in international expansion for 'reactive' reasons. Limited growth opportunities in the home market, excessive legal restrictions, format saturation, market share maturity, brand maturity, (all within the home market), increased levels of home competition, and the exhaustion of diversification opportunities within the domestic market, had moderate to no influence upon the decision to internationalise for 77%, 90%, 68%, 82%, 85%, 80%, 92% of respondents respectively.

Other motivations, such as offers from foreign retailers / partners had a strong / very strong influence on 15% of firms, while the commitment by senior management to internationalisation was found to be a strong motivation for 50% of respondents. Table 6.12 presents the motives for the respondents entry into foreign markets.

Motive Description	1 %	2 %	3 %	4 %	5 %	mean
Niche opportunities in foreign markets	1.7	5.0	16.7	28.3	48.3	**4.167**
Limited growth opportunities in home markets	21.7	18.3	36.7	18.3	5	2.683
Offers from foreign retailers / partners	16.7	25.0	16.7	23.3	18.3	3.017
Favourable exchange rates	20.0	33.3	31.7	11.7	3.3	2.483
Excessive legal restriction in the home market	46.7	28.3	15.0	5.0	5.0	1.933
Size of foreign markets	5.0	15.0	25.0	28.3	26.7	**3.567**
Format saturation in the domestic market	28.3	28.3	11.7	25.0	6.7	2.550
Senior management commitment to internationalisation	16.7	15.0	18.3	35.0	15.0	3.183
Availability of a brand with an international appeal	3.3	5.0	18.3	26.7	46.7	**4.083**
Maturity of market share within the domestic market	35.0	18.3	28.3	11.7	6.7	2.383
Maturity of the brand within the domestic market	30.0	20.0	35.0	15.0	-------	2.350
Increased levels of competition at home	28.3	26.7	25.0	16.7	3.3	2.400
Lack of significant competition abroad	20.0	35.0	20.0	13.3	11.7	2.633
Level of economic prosperity in foreign markets	5.0	18.3	18.3	31.7	26.7	**3.567**
Capitalise upon an innovative retail formula	33.3	16.7	23.3	16.7	10.0	2.533
Home diversification opportunities exhausted	55.0	21.7	15.0	5.0	3.4	2.083
Prestige associated with foreign markets	10.0	25.0	21.7	21.7	21.7	3.200
Relaxed regulatory conditions abroad	35.0	25.0	25.0	6.7	8.3	2.333
Retail format under-developed abroad	30.0	33.3	16.7	10.0	10.0	2.467

1= no influence, 5= Very strong influence

Table 6.12 - Motives for Internationalisation

6.5.1 International Motivations by Type of Fashion Retailer

While overall, respondents appeared to internationalise for proactive reasons, an analysis of these motivations by type of fashion retailer identifies clear differences in the degree to which these factors influenced their decision to internationalise. As Table 6.13 indicates, general fashion retailers were the most likely to attribute difficulties within the home market as an important influence, particularly when compared to designer fashion retailers. Indeed, this factor was found to be statistically significant at the 0.05 level. Again, when compared to designer retailers, the general fashion retailers indicated that the maturity of their brand within the domestic market was a strong motivation to internationalise , yet this group were identified

as being the least likely to expand abroad because of the international appeal of their brands, Both dimensions were found to be statistically significant at the alpha = 0.05 level.

Within the context of limited growth opportunities and in the face of reaching brand maturity in the domestic market, it is perhaps inevitable that general fashion retailers should also identify increased levels of competition within the home market as an important reason to engage in foreign market expansion. The results show statistically significant differences between general and designer retailers in relation to this variable at the 99% confidence level. This difference may be explained by the response from a fashion design respondent who stated that **"designers don't really compete with other designers. Our competition comes from other luxury goods - cars, holidays, the home"**

While general fashion retailers were found to be more influenced by push factors, certain pull motivations had an influence upon the decision to internationalise by both designer and specialist fashion retailers. In particular, the desire to capitalise upon an innovative retail formula was found to be highly influential for specialist retailers. The analysis identified statistically significant differences between specialist and designer retailers in relation to this motive (alpha = 0.05). This difference may be explained by the fact that the competitive strategy of the internationalising fashion designer retailer is more likely to based around the strength of a strong brand identity rather than any innovations related to trading format or operating method. This is further underlined by the fact that designer fashion retailers rated format saturation in the domestic market as less of an influence upon their decision to internationalise than general or specialist fashion firms. This resulted in a mean of 2.833 for general firms and 2.733 for specialist, and only 1.400 for designer retailers.

Again, with reference to specialist fashion firms, these rated the importance of foreign market size more highly than designer retailers and this was found to be statistically significant at alpha = 0.05 level. This difference in emphasis is perhaps best explained by a French design house who stated that what mattered most was **"not numbers of customers, but the amount spent by rich customers"**. Given that specialist fashion retailers typically take a narrow product / market focus, it is perhaps to be expected that this group should also identify niche opportunities within the foreign market as having a greater influence upon their decision to internationalise particularly when compared to general fashion firms with their broader product focus. This difference was also found to be significant at the 0.05 level.

While not statistically significant, both designer and specialist fashion retailers rated the level of economic prosperity with foreign markets as being more influential than general fashion companies. This may be explained by the fact that designer retailers tend to operate at the premium price end of the market, while specialist firms justify their 'above average prices' according to one company because of the **"superior choice and service offered"**. As such, market prosperity is fundamental to the success of both types of fashion retailer. In addition, a lack of significant competition abroad was more important to specialist retailers, than it was for general or designer fashion retailers - the mean decreasing from 3.067 to 2.556 to 2.144, respectively. Table 6.13 records the motives for internationalisation by type of fashion retailer.

Motive Description	Mean Scores			
	General n = 18	Designer n = 27	Specialist n = 15	oneway anova
Niche opportunities in foreign markets	3.556	4.185	4.867	0.004*
Limited growth opportunities in home markets	3.278	2.370	2.533	0.034*
Offers from foreign retailers / partners	3.222	2.889	3.000	0.818
Favourable exchange rates	2.333	2.556	2.533	0.723
Excessive legal restriction in the home market	2.056	1.926	1.800	0.816
Size of foreign markets	3.778	3.111	4.133	0.024*
Format saturation in the domestic market	2.833	1.400	2.733	0.399
Senior management commitment to internationalisation	3.167	3.074	3.400	0.839
Internationally appealing brand	2.885	4.296	3.869	0.004*
Maturity of share of domestic market	2.667	2.222	2.333	0.597
Brand Maturity within the domestic market	3.056	1.963	2.200	0.002*
Increased levels of competition at home	3.333	1.741	2.467	0.000*
Lack of significant competition abroad	2.556	2.144	3.067	0.355
Level of economic prosperity in foreign markets	3.111	3.714	3.800	0.152
Capitalise upon an innovative retail formula	2.778	2.037	3.133	0.031*
Home diversification opportunities exhausted	1.722	2.444	1.867	0.720
Prestige associated with foreign markets	2.944	3.407	3.133	0.492
Relaxed regulatory conditions abroad	2.278	2.222	2.611	0.660
Retail format under-developed abroad	2.444	2.222	2.933	0.313

1= no influence, 5= Very strong influence.
* = significant at alpha = 0.05 or greater

Table 6.13 : Motives for Internationalisation by Type of Fashion Retailer

6.5.2 Motivations for Entry into the United Kingdom

Respondent's motivations for entering the United Kingdom market were not based upon the desire to exploit the opportunities associated with relaxed regulatory conditions, under-developed retail formats, or a lack of significant competition. These dimensions proved to have little or no influence upon the decision to enter the UK for 63.3%, 65% and 70% of respondents, respectively. In addition, the desire to capitalise upon a retail formula seen as innovative in the UK, had little or no influence upon 56.7% of respondents and the availability of favourable exchange rates had little effect upon 56.7% of firms.

Instead, respondents were more influenced by the niche opportunities afforded by the UK market, (75% stated that these had a strong / very strong influence), closely aligned to which is the fact that the size of the British market had a strong / very strong influence upon the decision

of 60% of fashion firms. Other important influences included the level of economic prosperity

of the UK market, offers from UK retailers and partners and senior management commitment

to the UK market. These were found to have a strong / very strong influence upon 56.6%,

53.3% and 50.1% of respondents, respectively. As Table 6.14 indicates, entry into the UK

market was also found to be for reasons of market prestige, with 75% of respondents stating

that it had a strong or very strong influence upon their decision to enter the UK.

UK Motive Description	1 %	2 %	3 %	4 %	5 %	mean
Niche Opportunities in the UK market	1.7	6.7	16.7	33.3	41.7	4.067
Offers from UK retailers / partners	21.7	8.3	16.7	30.0	23.3	3.250
Favourable Exchange Rates	36.7	20.0	26.7	11.7	5.0	2.300
Size of the UK market	1.7	10.0	28.3	48.3	11.7	3.583
Senior Management Committed to UK entry	6.7	15.0	28.3	31.7	18.4	3.417
Availability of a brand appealing to UK consumers	3.3	13.3	15.0	38.3	30.0	3.783
Level of economic prosperity in UK market	1.7	11.7	30.0	43.3	13.3	3.550
Capitalise upon a retail formula seen as innovative in the UK	35.0	21.7	13.3	16.7	13.3	2.883
Prestige associated with UK market	6.70	3.3	15.0	33.3	41.7	3.912
Relaxed regulatory conditions in the UK	40.0	23.3	25.0	5.0	6.6	2.183
Retail format under-developed in the UK	50.0	15.0	16.7	11.7	6.6	2.133
Lack of significant competition in the UK	48.3	21.7	15.0	6.7	8.3	2.050

1= no influence, 5= Very strong influence.

Table 6.14 : Motivations for Entry into the United Kingdom

6.5.3 Motivations for UK Entry by Type of Fashion Retailer.

While the descriptive statistics presented in Table 6.14 suggest that a lack of significant

competition in the UK was not an important motive for British market entry for the majority of

respondents, an analysis of these motivations by retailer type reveals that that this was an

important motivation for specialist fashion retailers, especially when compared to designer

fashion firms. This relationship was found to be highly significant at the 99% confidence level,

(alpha = 0.01). Possibly related to this lack of perceived competition in the British market, the

specialist fashion retailers also identified niche opportunities within the UK as an important

influence upon the decision to enter the UK and their mean score of 4.40 compares to the lower scores of 4.08 for designer retailers and 3.21 for general firms.

Given that general fashion retailers typically seek to serve a wide cross-section of consumers with broad product ranges, it is perhaps to be expected that this group of respondents should identify the size of the UK market to be a significant influence upon their decision to internationalise - particularly when compared to designer fashion retailers. Again, this factor was found to be statistically significant at the 0.05 level.

As has been suggested in the previous section, the decision to internationalise in general on the part of the specialist fashion respondents is linked to their desire to exploit the opportunities associated with a retail format that is under-developed within foreign markets. Similarly, this group of respondents again rated the opportunities afforded by this lack of development in the UK more highly than their designer retailer counterparts, with a mean of 2.733 compared to a mean of 1.944 for the latter group.

The significance of the brand to designer fashion retailers is further evidenced by the fact that the availability of a brand appealing to UK consumers was rated highly by designer retailers, (with a mean of 4.100) but was rated as being less important by general fashion firms (mean = 3.111. The difference in means was found to be statistically significant, with alpha = 0.05. No significant differences were recorded between the three types of fashion retailer in respect of their assessment of the prestige of the UK market or of the availability of favourable exchange rates.

What does clearly emerge, however, is that each type of respondent had one important motivation which appears to have influenced their decision to enter the British market. For

general firms, the size of the UK market was of particular importance, while for designer

retailers it was the availability of a brand that was appealing to British consumers, and for the

specialist fashion firms it was the lack of significant competition within the market. It could

be argued that these findings are consistent with the competitive strategies typically adopted by

each of these types of fashion retailer, whereby general firms with broad ranges, look for large

numbers of customers, while fashion designers with their emphasis upon branding seek to

secure brand following, while specialists, because they seek to differentiate on the basis of their

product uniqueness, or through the depth of their offer and will avoid markets where that

uniqueness cannot be maintained. (See Table 6.15)

UK Motive Description	Mean Scores			
	General n = 18	Designer n = 27	Specialist n = 15	oneway anova
Niche Opportunities in the UK market	3.211	4.085	4.400	0.269
Offers from UK retailers / partners	3.333	3.444	2.800	0.379
Favourable Exchange Rates	2.167	2.333	2.400	0.827
Size of the UK market	4.000	3.259	3.667	0.023*
Senior Management Committed to UK entry	3.056	3.556	3.600	0.325
Availability of a brand appealing to UK consumers	3.111	4.100	3.767	0.031*
Level of economic prosperity in UK market	3.556	3.407	3.800	0.396
Capitalise upon a retail formula seen as innovative in the UK	3.500	2.407	3.000	0.442
Prestige associated with UK market	3.712	4.100	3.900	0.918
Relaxed regulatory conditions in the UK	2.222	1.963	2.533	0.350
Retail format under-developed in the UK	1.944	1.926	2.733	0.188
Lack of significant competition in the UK	2.056	1.593	2.867	0.000*

1= no influence, 5= Very strong influence.
* = significant at alpha = 0.05 or greater

Table 6.15 : Motivations for Entry into the United Kingdom by Type of Fashion Retailer

6.5.4 Summary of Respondent's Motivations for Internationalisation

The research results indicate that respondents largely engage in international expansion for

proactive reasons; notably to exploit the opportunities afforded by a brand with an international

appeal, and to exploit the niche opportunities existent within foreign markets. Difficulties in the

home market, such as those associated with limited growth opportunities, borne of market share saturation and brand maturity, were not important motivating factors.

The disaggregation of respondents by type revealed, however, that general fashion firms were more likely to be affected by domestic market factors, while specialist and designer firms were more proactive in their international outlook and instead sought to benefit from the opportunities afforded by the niche opportunities and economic prosperity of foreign markets.

Within the context of entry into the UK, respondents were, overall, motivated by the desire to benefit from the niche opportunities within the British market, through the sale of brands with strong consumer appeal, as they appear to have done within other countries. Furthermore, the prestige associated with the UK market was an important motivating factor for the majority of respondents. By fashion retailer type, specialists appeared to favour UK entry in order to derive the benefits of a lack of market competition, while somewhat predictably, designer firms sought to exploit the appeal of their brands, and the general fashion retailers focused upon gaining the benefits inherent to the large size of the UK market.

6.6 THE DIRECTION OF INTERNATIONAL EXPANSION.

This section considers the direction of respondent's foreign market expansion and it does this by identifying their initial, and most recent, export markets, as well as their first, and more recent, operating markets.

6.6.1 Initial and Most Recent Export Markets

Table 6.16 illustrates, respondent's concentrated their initial export activities into Northern Europe, Southern Europe, (principally Italy) and the USA and Canada. France was the most

popular first export country, attracting 20% of firms, followed by Italy with 17% and the UK, USA and Canada, all with 13%. From an analysis of the first three countries that firms exported into, Italy was identified as the most popular, followed by France and the UK.

While the initial export efforts of respondents were focused upon Northern Europe and the USA / Canada, an analysis of their most recent export markets indicates that they have now shifted their export focus in order to exploit opportunities within other geographical areas. Eastern Europe, and the Czech Republic and Poland in particular, have emerged as important new export markets, as has Russia, and some of the countries of the Middle East. In addition, the South American countries, (such as Brazil and Venezuela), and those of Southern Europe, notably Spain and Portugal, were identified as important new export markets.

It is interesting to note that 48% of respondents stated that they had recently exported into Russia and other Eastern European countries for the first time. The Spectator (April 1998) identified that a variety of factors, including improved economic stability, reductions in trade barriers, improvements in distribution infrastructures and increases in disposable income, (albeit within a small proportion of consumers), have encouraged a number of fashion retailers to trade within Eastern European countries and Russia. A further explanation for the focus upon these markets was provided by one French specialist retailer who stated that the economic crisis within the Far East has meant that any firm with a desire for growth has no alternative but to go into Eastern Europe - "despite the huge risks and uncertainties, these are places where fashion retailers can get good sales and good profits".

Region	1st Country n = 54	2nd Country n = 54	3rd Country n = 54	Most Recent Export Country n = 54
Northern Europe				
• United Kingdom	13%	9%	17%	-------
• France	20%	11%	17%	-------
• Germany	2%	-------	9%	-------
• Belgium	9%	9%	2%	-------
• The Netherlands	-------	6%	2%	-------
• Austria	-------	2%	2%	-------
• Switzerland	9%	9%	6%	-------
• Denmark	-------	6%	2%	-------
Southern Europe				
• Italy	17%	17%	17%	-------
• Spain	2%	-------	2%	9%
• Portugal	2%	-------	2%	9%
• Greece	-------	-------	-------	6%
• Turkey	-------	-------	-------	2%
Eastern Europe				
• Czech Republic	-------	-------	-------	13%
• Poland	-------	-------	-------	13%
• Estonia	-------	-------	-------	2%
• Hungary	-------	-------	-------	2%
• Romania	-------	-------	-------	2%
• Belgrade -Yugoslavia	-------	-------	-------	2%
• Slovenia	-------	-------	-------	2%
USA	13%	13%	7%	-------
Canada	13%	7%	-------	-------
South America				
• Argentina	-------	-------	-------	2%
• Brazil	-------	-------	-------	9%
• Venezuela	-------	-------	-------	5%
Russia	-------	-------	-------	13%
Middle East				
• Saudi Arabia	-------	-------	-------	2%
• Israel	-------	-------	-------	5%
• Egypt	-------	-------	-------	2%

Table 6.16 : Respondents' Initial and Most Recent Export Markets

The majority of respondents to this survey were from France(24), the USA (15), and Italy (14) and as such, it is only possible to provide any meaningful analysis of the export direction of firms from these three countries. French firms were found to concentrate their initial export activity on Belgium and the United Kingdom; the Americans on the UK and Canada, while the Italians initially focused their export activities on Switzerland and the USA. It would therefore appear that the selection of initial export countries by these fashion retailers was based upon

issues of geographic, linguistic and cultural proximity. It is interesting to note that the most popular initial market for retailers from these three countries shared, at least to some degree, a common language :- France and Belgium, USA and the UK, and Italy and Switzerland. As firms from the three countries increased in their export experience, they tended to enter into more culturally distant markets, as is evidenced in the recent development of export links by French fashion retailers with companies in Russia, Poland, and Romania.

No consistent pattern was found to emerge linking the direction of the initial export strategies of the three types of fashion retailer (i.e. general, designer or specialist), with any specific national markets. However, it was found that all of the companies that identified Russia and South America as new export markets were designer fashion retailers. This finding concurs with various trade reports, (NatWest Securities 1996; Credit Suisse 1997), which have identified significant consumer demand for premium-priced designer brands within Russia and Brazil, in particular, and the significant opportunities for designer retailers within these under-developed markets .

6.6.2 Initial and Most Recent Operating Markets

As can be seen from Table 6.17, France, Italy and the United Kingdom were the most popular countries for the initial expansion of retail outlets abroad by survey respondents. 20% identified France as the first country in which they opened a foreign retail outlet, while the United Kingdom and Italy were the first operating countries for 15% of firms, respectively. This almost parallels the geographical pattern of export expansion by the fashion retailers surveyed, (while in export terms, Italy was identified as the most popular, followed by France and then the UK). This may suggest that fashion companies use export agreements as a means of acquiring local market knowledge and developing a customer following before establishing retail outlets within foreign markets.

The Japanese market was not identified as being among the first three markets that firms export into, it was, however, the first foreign country in which 10% of respondents opened a retail outlet, and was the second for 15% and the third for 22% of firms. While Canada was previously seen to be a popular market for the initial export activities for American companies in particular, it was much less popular a market for their initial outlet expansion.

While the majority of firms opened their first stores within Western European countries, their most recent store openings mark a decided shift towards Eastern Europe, as well as South America, the Middle East and Russia. 15% identified Poland as their most recent country of operation, followed by the Czech Republic (10%), Russia (10%) and Brazil (8%). This re-focusing of operations towards Eastern Europe, in particular, is perhaps best explained by the additional comments of another French respondent who stated **"In the West, the wardrobes are full - but in Eastern Europe they are empty, and the race is on to see who can fill them first"**

As to the direction of initial store openings on the part of the French, Italian and American respondents to the survey, the majority of French firms were found to have opened stores within Belgium, Switzerland and the United Kingdom. It could be assumed that the selection of these countries is likewise based upon a mix of geographical proximity, a common language as well as successes derived from exporting.

A less discernible pattern was found to emerge for Italian retailers, although the USA market was identified as one of the first three operating markets for 8 of the 14 Italian respondents. This focus upon the USA, and New York in particular, may be explained by the fact that all 8 companies were designer retailers and the early opening of a New York store may be viewed as an important stage in the development of an international brand reputation, as had been

observed earlier by Hollander (1970). Otherwise, the other 6 Italian respondents appeared to have no particular propensity to any one national market.

American respondents were found to focus their initial store openings within the British, Japanese and Canadian markets, in that order. Again, the selection of the British and Canadian markets may be explained in terms of geographic and cultural proximity. No clear explanation was provided by respondents as to why the Japanese market should figure as a popular initial market for American companies. However, one general fashion company explained their selection of Japan as their first foreign operating market on the basis that they recognised Japanese demand for American brands, and because **"the Japanese market is fairly easy to understand, unlike Central Europe which is just full of contradictions"**

It would seem that the principal of psychic distance, which was evident in the export strategies of the French, Italian and American respondents broadly applies to the selection of their first foreign markets, alongside the recognition of opportunities within specific markets. In terms of recent new market entry, it is notable that all of the respondents that indicated recent entry into the South American countries:- Argentina, Brazil and Venezuela, were from Italy. Similarly, the focus upon Middle Eastern markets, such as Libya, Algeria and Morocco has involved only French retailers. A possible explanation for French interest in these markets may stem from French colonial involvement in Algeria and Morocco and the resultant affiliations that these links provide through commonalties in culture and language.

Within the context of Eastern European developments one respondent stated that it was **"a free for all - everybody wants a piece of the action there".** This observation appears to be supported by the fact that French, Italian, American, German, and Austrian respondents declared that their most recent store openings had been within Eastern European markets.

Region	1st Country n = 60	2nd Country n = 60	3rd Country n = 60	Most Recent n = 60
Northern Europe				
• United Kingdom	15%	10%	15%	7%
• France	20%	10%	15%	-------
• Germany	3%	3%	-------	-------
• Belgium	3%	8%	-------	-------
• The Netherlands	3%	8%	3%	-------
• Austria	-------	3%	-------	-------
• Switzerland	5%	10%	3%	-------
• Denmark	3%	-------	-------	-------
Southern Europe				
• Italy	15%	15%	22%	3%
• Spain	3%	5%	-------	-------
• Portugal	3%	-------	-------	5%
Eastern Europe				
• Czech Republic	-------	-------	-------	10%
• Poland	-------	-------	-------	15%
• Estonia	-------	-------	-------	3%
• Hungary	-------	-------	-------	3%
• Romania	-------	-------	-------	3%
• Belgrade -Yugoslavia	-------	-------	-------	3%
• Slovenia	-------	-------	-------	5%
				3%
Far East				
• Japan	10%	15%	22%	3%
• China	-------	-------	-------	5%
• Singapore	-------	-------	2%	-------
• Indonesia	-------	-------	2%	-------
USA	12%	8%	15%	3%
Canada	5%	5%	-------	-------
South America				
• Argentina	-------	-------	-------	3%
• Brazil	-------	-------	-------	8%
• Venezuela	-------	-------	-------	3%
Russia	-------	-------	-------	10%
Middle East				
• Saudi Arabia	-------	-------	-------	3%
• Egypt	-------	-------	-------	3%

Table 6.17 : Respondents' Initial and Most Recent Operating Markets

6.6.3 Summary of the Direction of International Expansion.

Previous empirical studies, such as Treadgold (1989), have suggested that internationalising retailers seek to minimise the levels of perceived psychic distance between the home and

aspired to foreign markets. The results of this study exhibit a broadly similar pattern to this, with respondents focusing their initial export and operating efforts upon those markets which are either geographically, cultural, economically and linguistically close to the home market. From the results it also emerged that the development of a pan-national export network also served as a pre-cursor to the opening of retail outlets within the same foreign markets. This would indicate that exporting is an important mechanism for the selection of future operating markets.

Perhaps as a result of growth saturation within Western Europe, (the focus of initial developments), and in response to emerging opportunities afforded by economic, political and social change, the respondents have concentrated their most recent efforts on the development of markets in Eastern Europe, Russia and South America. The economic turbulence evident in the Far East in the latter half of the 1990's, and the threat of recession within Western economies, as a result, has led commentators to predict that the future growth developments of fashion retailers will occur within the under-developed markets of Eastern Europe. Russia and Africa. (Credit Suisse, 1988). These results are evidence that such a shift has already begun.

6.7 METHODS OF FOREIGN MARKET ENTRY

The stages model of business internationalisation reviewed in Chapter Three identified that a firm's initial involvement in foreign markets was typically achieved indirectly, primarily through the exporting of goods and services into these countries. When asked to identify the methods of market entry that their company had adopted for entry into foreign markets in general, and the British market in particular, wholesale agreements with agents, distributors and retailers, were found to be an important form of entry into the UK and elsewhere. Table 6.18 provides full details of the responses.

Entry Method	Foreign Markets YES n = 60	UK Market YES n = 60
Wholesale	54	54
Set up own-store	54	49
Joint Venture	11	1
Franchising	43	27
Acquisition - Majority Share	3	0
Acquisition - Minority Share	0	0

Table 6.18 : Frequency of Methods used for Entry into Foreign and UK markets.

In terms of direct involvement in foreign markets, organic growth was the most commonly used method of entry into the UK and elsewhere. Franchising also figured highly, although it was used less by companies within Britain, with 11 companies using it as the single entry method, compared to 33 who used organic growth as the sole means of British market entry. Joint ventures were adopted by 11 companies, but only by one firm in Britain. Acquisition was rarely used as an entry method, and was adopted by none of the responding companies in Britain.

In the review of the limited amount of literature pertaining to the methods of entry used by internationalising fashion retailers, it was not clear whether a relationship exists between the type of fashion retailer (i.e. specialist, general or designer) and the entry method they are likely to adopt when entering foreign markets. To that end, chi-square statistical tests were applied so as to explore these relationships, both in terms of entry to foreign markets in general and especially the UK market.

Table 6.19 indicates that statistically significant relationships were found to exist linking general fashion retailers with corporate store ownership and fashion designer retailers with franchising, for their entry into foreign markets in general and the British market in particular. A possible explanation for general fashion retailers tendency to own their British stores is

provided by one American respondent who wrote :- **"The stores need to be big to accommodate the ranges and franchisees cannot afford the heavy rent and costs of the British market"**. The use of franchising by designer firms concurs with the work of Fernie et al (1997) who found that American designers, such as Calvin Klein, Guess, and Donna Karan, operated their British flagship stores under franchise arrangements, so as to achieve maximum market coverage at minimal risk and cost.

Entry method into foreign markets	Pearson's co-efficient	DF	Significance	Type of Fashion Retailer
Company Owned	**6.410**	**2**	**0.043** ^{x}	**General**
Joint Venture	3.216	2	0.200 ^{x}	
Franchise	**7.015**	**2**	**0.021** ^{x}	**Designer**
Major Acquisition	3.571	2	0.167 ^{x}	
Minor Acquisition	0.804	2	0.668 ^{x}	
Wholesale	0.729	2	0.694 ^{x}	
x = Not Significant * = Significant at alpha=0.05				
Entry method into UK market				
Company Owned	**6.312**	**2**	**0.049** ^{x}	**General**
Joint Venture	2.051	2	0.358 ^{x}	
Franchise	**8.741**	**2**	**0..012** ^{x}	**Designer**
Major Acquisition	2.920	2	0.231 ^{x}	
Minor Acquisition	2.372	2	0.305 ^{x}	
Wholesale	0.729	2	0.694 ^{x}	
x = Not Significant * = Significant at alpha=0.05				

Table 6.19 : Relationship between Type of Fashion Retailer and Market Entry Method

6.8 INTERNATIONALISATION STRATEGY - MODIFICATION OF MARKETING MIX ELEMENTS.

As part of their examination of the process of internationalisation, other researchers, such as Salmon and Tordjman (1989), have identified that internationalising retailers may modify their market positioning, through adjustments to their marketing mix, as a response to competitive conditions within foreign markets. In this survey, the fashion retailers were asked to identify whether they modified a range of marketing mix / operating factors as part of the process of their entering the United Kingdom market. As Table 6.20 shows, the responding firms were more likely to adopt a multinational, as opposed to a global approach, since the majority have adapted their operations in a number of ways on entering the British market.

In terms of product, 58% of respondents made some modification to their product positioning upon entry to the UK. Typically, these were less inclined to alter what could be described as the 'image' or 'identity' elements of their product offer, and as such only 8% changed the brand name of their products and 5% the product packaging. 30% translated the product labelling and customer care instructions into English to satisfy British Consumer Protection legislation. Few firms changed the type of fabrics that they normally used for products when entering the British market (8%). A reluctance to change the raw materials used when entering the UK (or other markets), is perhaps to be expected so that satisfactory economies of scale can be maintained. Yet, while the respondents appeared unwilling to alter the type of fabrics that they used for their products, they were much more willing to make production changes, such as in relation to sizing, (33.3%), colour (30%), and choice of styles (36.7%). One Italian specialist fashion firms explained that improved production technology provided for greater flexibility in pattern cutting and dyeing and this enabled the company to be more receptive to local customer needs. 42% of firms changed their pricing levels, with 22% of new entrants increasing their prices and 20% engaging in price reductions.

In terms of advertising, 47% altered some element of their advertising strategy. 30% adjusted the form of advertising media they used upon entry into the UK. Two French respondents stated that television was too expensive and radio was not an accepted medium for fashion advertising within the UK and as a result, the companies had to rely more heavily upon newspaper editorial coverage as a key form of market communications. Another remarked on their greater use of direct marketing, in the form of customer brochures and mail shots. Given this alteration of the method of advertising within Britain, one third of respondents devolved management control over advertising to British management or advertising agencies. 37% of firms changed the content of their UK advertisements and did so for a variety of reasons, including the need for translation into English, the fact that certain personalities used to endorse ranges were not recognised in Britain, as well as the need to introduce the brands to unaware consumers. An interesting point was made by one respondent in relation to fashion advertising in the UK who stated, **"Fashion advertising has really emerged in the UK in the past decade. And with the campaigns like French Connection, British ads are now the best in the world".**

63% of companies changed their approach to marketing promotions. For 58% this involved changing the promotional form, with a number of firms remarking that promotions within the UK were much more price-focused and hence the need for, what one firm described as, 'mini-sales' through-out the season in order to retain customer interest. Consequently, 53% reported promotions were more frequent within the British market. In relation to store environment, 52% made some form of alteration. 42% changed the types of fixtures and fittings, 38% the methods of presentation and a similar percentage changed store layout.

A further indication of the affect that national trading conditions have upon the merchandising approach of internationalising companies can be found in the comments of another American respondent who stated that because the majority of British fashion retailing takes place on the high street and not in out-of-town shopping malls, **"the window displays are much more important, they are of a higher standard"** 40% of respondents stated that their window displays were modified, while in terms of customer service, more than three-quarters stated that they did not alter the range of services on offer when they entered the British market.

MARKETING MIX ELEMENT	YES %	NO %	DON'T KNOW
PRODUCT	58	42	
Product brand name	8.30	91.7	-------
Choice of styles	36.7	61.7	1.70
Fabrics	8.30	90.0	1.70
Labelling	30.0	70.0	-------
Customer care instructions	46.7	51.7	1.70
Sizing	33.3	67.7	-------
Packaging	5.00	95.0	-------
Colours	30.0	70.0	-------
PRICE	42	58	
Higher	22.0	78.0	5.00
Lower	20.0	80.0	5.00
ADVERTISING	47	53	
Media used	30.0	66.7	3.30
Message content	36.7	60.0	3.30
Method of management control	33.3	65.0	1.70
PROMOTIONS			
Promotional methods	58.3	36.7	5.00
Increased frequency of promotions	53.3	41.7	5.00
STORE INTERIORS / MERCHANDISING METHODS	52	48	
Fixtures / Fittings	41.7	56.7	1.70
Methods of presentation	38.3	60.o	1.70
Window displays	40.0	58.3	1.70
Store layouts	38.3	60.0	1.70
Customer Service			
Range of services offered	21.7	76.7	1.70

Table 6.20 : Modifications to the Marketing Mix on entering the United Kingdom market.

6.8.1 Relationships between modified Marketing Mix Elements and Types of Fashion Retailer.

In order to explore the possible relationship between types of fashion retailer and alterations to marketing mix elements, chi-square statistical analysis was applied, and those found to be statistically significant at the 0.05 level of above, are presented below in Table 6.21.

Type of Fashion Retailer

	Pearson's co-efficient	DF	Significance
Modify choice of styles x = Significant at alpha = 0.01	11.555	2	0.003 ^{x}
Modify garment labelling x = Significant at alpha = 0.05	5.467	2	0.064 ^{x}
Modify colour of ranges x = Significant at alpha = 0.01	12.874	2	0.001 ^{x}
Reduction in price levels x = Significant at alpha = 0.05	7.888	2	0.019 ^{x}
Devolve advertising management to UK x = Significant at alpha = 0.01	10.950	2	0.004 ^{x}
Modify advertising message content x = Significant at alpha = 0.05	6.428	2	0.046 ^{x}
Modify promotions x = Significant at alpha = 0.01	10.432	2	0.005 ^{x}
Increase frequency of promotions x = Significant at alpha = 0.05	7.444	1	0.024 ^{x}
Modify fixtures and fittings x = Significant at alpha = 0.05	6.545	2	0.049 ^{x}
Modify window displays x = Significant at alpha = 0.05	8.982	2	0.011 ^{x}
Modify merchandise and store layout x = Significant at alpha = 0.05	8.875	2	0.011 ^{x}

Table 6.21 : Relationships between modified Marketing Mix Elements and Fashion Retailer Type.

The statistical associations identified in Table 6.21 above are as much concerned with the lack of modification to marketing mix elements, as they are with alterations to market positioning. Among the designer retailers, it was found that these were the least likely to alter the choice of

styles offered, or change the labelling or colour of ranges to suit the British market. Furthermore, these firms were the least likely to devolve decision-making control in respect of advertising strategy to UK-based personnel, or to alter the content of advertisements used within the British market. Likewise, this group were the least likely to alter any dimension of their store environment, such as in relation to fixtures and fittings, window displays and layout plans.

These findings emphasise the significance of a completely standardised and centrally controlled brand to the positioning of the designer retailers within the British market. Drawing from Salmon and Tordjman's (1989) typology of internationalisation strategies, it is clear that the designer respondents adopt globalisation as their preferred strategy, and this is clearly underlined by the comments made by a respondent from a French design house :

"A designer brand is about consistency. Everything must be the same from one market to the next. It is all about image and we can never afford to ruin that image with a crack that destroys the image".

In contrast, highly significant relationships were identified linking general fashion retailers with adaptations to price points, the modification of promotional methods and the increased frequency of promotions, upon entry into the British market. The apparent willingness of this group to alter these dimensions is perhaps best summed-up in the comment made by one such respondent who simply stated **"We need to be adaptive to survive"**.

Without the protection of a premium brand positioning, and by virtue of their need to appeal to a wider cross-section of consumers, it is apparent that this group must necessarily be responsive to the competitive conditions of the British market. Respondents from both the specialist and general fashion companies indicated to an almost equal degrees that they had

modified their store environments in respect of UK trading, particularly their fixtures and fittings, window displays and in-store merchandising methods and store layouts.

6.8.2 Summary of Modifications to Marketing Mix Elements.

Overall, the research results identify that respondents engaged in fairly extensive modifications of their marketing mix elements upon entry into the UK. In particular, firms were found to have changed their advertising and promotional strategies, pricing levels, as well as their store interiors and merchandising methods. They were less inclined to alter their products, in respect of brand names, fabric choices or packaging. Nor did the majority alter the customer services that they typically offered.

The analysis by type of fashion retailer highlighted a resistance on the part of designer companies to alter the majority of their marketing mix elements, indicating their highly standardised approach to international marketing. Competitive pressures may explain the willingness by general fashion firms to reduce their prices in the UK, while specialist firms were inclined to alter components of the retail experience to suit the competitive and consumer requirements of the British market.

6.9 UK CRITICAL SUCCESS FACTORS

Respondents were asked to identify which factors were important in determining the success of their operation within the United Kingdom. In percentage terms, firms identified their products and approach to merchandise management as being either of high importance (35%) or of great importance (58%). Allied to the strength of their product ranges, respondents also identified the availability of an appealing brand as being important to the attainment of competitive advantage within the UK market. Brand appeal was found to be of high importance to 30% and of great importance to 50% of firms.

Perhaps serving to underline the significance of the representational dimensions of fashion marketing and of fashion brands, in particular, a majority of respondents, (53%) identified their company's prestigious reputation as being of high or great importance to their achievement of success within the UK, while 67% similarly identified their company or store image as being a very important success factor. Consequently, it is perhaps to be expected that 50% of respondents identified the marketing expertise of their firm to be of high / great importance to their competitive strategy. With only 17% of companies suggesting that marketing expertise had little or no significance in their achievement of competitive advantage, there may be some justification in the suggestion that foreign retailers adopt a marketing orientation, when engaged in foreign market expansion and certainly within the context of UK trading. One respondent annotated their questionnaire with the comment **"we are a learning organisation"** and this claim may well be appropriate for other respondents given the fact that 50% stated that the experience gained from other markets was of high or great importance in their achievement of success within the UK. Of much less importance were the benefits associated with the selling and promotional techniques and customer services offered by the firms. Both factors were rated as being of high / great importance by one third of respondents only.

Again, serving as an indicator of the importance of representational dimensions to the attainment of success within the UK market (as opposed to dimensions associated with operational competence), 50% of respondents stated that retailing 'know-how' skills were of little of no importance to the achievement of success in the UK, while 53% assessed the significance of their retail formula in similar terms.

Other operational factors, such as distribution competence and financial control and monitoring, had little or no effect upon the competitive success for a sizeable number of responding firms (42% and 37%, respectively). In addition, while competence in English was

found to be highly important for 18% of companies, 42% rated this as having little or no impact upon their success within the British market. The majority of retailers, (68%) stated that marketing research had little or no contribution in determining their success within the UK. This does, however, raise the question as to whether the companies did engage in any form of marketing research pre- or post UK entry, since 9 companies declared that no research had been undertaken, and an Italian respondent wrote **"marketing research is a waste of money ".**

These results would appear to suggest that respondents regard financial management, marketing research, linguistic competence and distribution as support functions of internationalisation, as opposed to these being factors which may contribute directly to the achievement of competitive advantage, particularly within the context of the UK market. Only 13% of firms identified that their pricing strategy had a major contribution to their success within the UK, while 53% stated that this dimension had little or no impact. Given that various market research reports, such as Verdict (1997) and Mintel (2000), have identified the high levels of price competition within the UK fashion retail sector, it is perhaps inevitable that foreign entrants should not suppose their pricing strategy to be an important means of differentiation within the British market.

Williams (1992) suggested that the size of the firm may figure as critical success factor for internationalising retailers. In this study, respondents did not regard their small or large size in such terms, with only 7% stating that the large size of their firm contributed greatly to their UK success, while 5% recorded that their small size was influential to the same degree. Similarly, senior management commitment was identified previously as an important motivation for entry into the UK market, but as Table 6.22 illustrates, a strong and aggressive management stance in respect of UK trading was found to be a highly important success factor for only 10% of

companies. The majority of firms, (65%) stated the approach of management had little or no

effect upon the success they enjoyed within the UK.

UK Critical Success Factors	1 %	2 %	3 %	4 %	5 %	Mean
Firm's marketing expertise	3.3	13.3	33.3	25.0	25.0	3.567
Selling and promotional techniques	5.0	21.7	40.0	16.7	16.7	3.267
Product / Merchandise management	------	1.7	5.0	35.0	58.3	4.533
Management Commitment	6.7	16.7	41.7	25.0	10.0	3.300
Customer Service offered	5.0	25.0	36.7	16.7	16.7	3.150
Unique retail formula	11.7	41.7	25.0	8.3	13.3	2.750
Close relationships with suppliers	6.7	30.0	26.7	20.0	16.7	3.133
Appealing brand	1.7	1.7	16.7	30.0	50.0	4.283
Financial control and monitoring	5.0	31.7	26.6	20.0	16.6	3.171
Firm's prestigious reputation	5.0	18.3	23.3	33.3	20.0	4.183
Large size of the firm	36.7	30.0	21.7	5.0	6.7	2.350
Small size of the firm	40.0	30.0	16.7	8.3	5.0	2.350
Marketing research	46.7	21.7	16.7	8.3	6.7	2.117
Pricing strategy	33.3	20.0	20.0	13.3	13.3	2.533
Distribution competence	21.7	20.0	18.3	28.3	11.7	2.883
Retailing 'know-how' skills	21.7	28.3	8.3	28.3	13.3	2.833
Company / store image	1.7	11.7	20.0	30.0	36.7	3.883
Competence in English	21.7	20.0	20.0	20.0	18.3	2.933
Experience gained from other foreign markets	10.0	11.7	28.3	33.3	16.7	3.350
Close geographic proximity to the United Kingdom	28.3	23.3	16.7	20.0	11.7	2.917

1= of no importance, 5= of great importance.

Table 6.22 : Critical Success Factors within the UK market

6.9.1 Critical Success Factors by Type of Fashion Retailer.

An analysis of the factors critical to success within the UK market by type of fashion retailer is

provided in Table 6.23.

Mean Scores

UK Critical Success Factors	General n = 18	Designer n = 27	Specialist n = 15	Oneway anova
Firm's marketing expertise	3.77	3.45	3.33	0.543
Selling and promotional techniques	3.43	3.18	3.23	0.884
Product / Merchandise management	**4.38**	**4.79**	**4.40**	**0.586**
Management Commitment	3.00	3.40	3.46	0.456
Customer Service offered	3.70	3.00	3.10	0.397
Unique retail formula	**4.01**	2.55	3.50	0.122
Close relationships with suppliers	3.00	3.25	3.06	0.754
Appealing brand	3.14	**4.51**	4.00	0.133
Financial control and monitoring	3.11	3.40	3.00	0.561
Firm's prestigious reputation	3.05	3.74	3.56	0.120
Large size of the firm	2.33	2.22	2.60	0.725
Small size of the firm	2.16	2.44	2.40	0.832
Marketing research	2.27	1.85	2.40	0.384
Pricing strategy	**3.96**	2.03	2.06	0.001*
Distribution competence	3.38	2.55	2.86	0.128
Retailing 'know-how' skills	**4.15**	2.33	3.00	0.026*
Company / store image	3.62	**4.10**	3.83	0.759
Competence in English	2.83	2.70	3.46	0.238
Experience gained from other foreign markets	3.33	3.07	3.86	0.117
Close geographic proximity to the United Kingdom	3.44	2.70	2.66	0.650

1= of no importance, 5= of great importance.
* = significant at alpha = 0.05 or greater

Table 6.23 : Critical Success Factors by Type of Fashion Retailer.

Replies were found to be statistically significant across two success factors - pricing strategy and retailing 'know-how' skills. While in the previous section it was noted that pricing strategies were not identified overall, as central to the respondents' successes within the UK, it was rated highly by general fashion retailers and the difference between their rating and that of designer firms was found to be statistically significant at alpha = 0.01. This would appear to corroborate the earlier finding which saw general fashion retailers to be the most likely to reduce their prices upon entry into the UK market, while the designer retailers were shown to be the least likely to do so. It would therefore appear that the price adjustment by general fashion entrants is not only a necessity, but something which these firms regard as contributing significantly to their success within the British market.

Similarly, general fashion retailers also rated their retailing 'know-how' skills as important to their success within the UK and again the difference between their rating and that of designer retailers was statistically significant at alpha = 0.05. One of the general fashion retailer respondents, a discount fashion retailer from the USA suggested that their reliance upon retailing 'know-how' as a means of competitive differentiation was because branding was **"less important, less obvious in their offer - what matters is that we do the process, the experience, differently"**.

Designer fashion retailers rated such factors as product / merchandise management, appealing brand, the firm's prestigious reputation, and company / store image more highly than general and specialist fashion retailers, with means of 4.79, 4.51, 3.74, and 4.10, respectively. This may, yet again, underline the significance of representational and symbolic dimensions of designer fashion retailers' competitive positioning and indicates that their success depends upon their development of a 'brand lifestyle' which consumers can readily identify and then acquire by purchasing the brand.

General fashion retailers, as well as rating pricing strategy and retailing 'know-how' skills as important success factors for trading within the UK, also rated highly such dimensions as the firm's marketing expertise (mean : 3.77), selling and promotional techniques (mean : 3.43), customer services offered (mean : 3.70), unique retail formula (mean : 4.01) and distribution competence (mean : 3.38). This may indicate that general fashion retailers must seek to add value, and therefore achieve differentiation, through their selling, promotional, and customer services investments, rather than through the creation of a distinctive brand image. And with their apparent reliance upon having a unique retail formula as a means of differentiation, it

would appear a respondent's observation that generalist fashion retailers **"must do the process, the experience, differently"** holds true for all such companies. And while specialist fashion respondents similarly rated highly factors such as product and merchandise management, (mean : 4.40), brand appeal (mean ; 4.00) and company/store image (mean : 3.83), this group also rated competence in English (mean : 3.46) and experience gained from other foreign markets (mean : 3.86), more highly as a factor contributing to their UK success than their general or designer counterparts.

6.9.2 Summary of UK Critical Success Factors.

The survey results indicate that success within the UK depends upon the availability of an appealing product and brand, effective merchandise management, as well as a prestigious company reputation and image. Within this context, UK success appears to be dependent upon intangible dimensions which differentiate the companies in the mind of the consumer.

The analysis of respondents by trading type revealed, however, that general fashion companies, which typically operate within mass markets, attributed their success to their competitive pricing strategies. Designer firms, on the other hand, were reliant upon the strength of their brand and overall company image. Specialist companies, while similarly acknowledging the importance of image to their UK success, also recognised that their experience within other foreign markets was beneficial to their UK trading.

6.10 PROBLEMS ASSOCIATED WITH UK OPERATIONS

The penultimate section of the questionnaire focused upon the key problems that foreign entrants face within the British fashion sector. The results identified a number of problems and these were, in the main, related to the dominant position enjoyed by indigenous fashion retailers within the UK. 47% identified high levels of competition to be a significant problem, and 17% a very significant problem for their operations within the UK. These high levels of competition were not solely concerned with issues of price competitiveness, although this dimension was identified as being a problem to a significant extent for 25%, and to a very significant extent for 18%. 50% of respondents identified the strength of fashion retailer brands within the United Kingdom to be problematic to a significant extent or more. And possibly allied to this latter factor, 47% of companies identified customer loyalty to British fashion retailers as being very problematic. This is encapsulated in the reply received from a general fashion retailer, originating from the USA, which stated that **"the British are loyal to their retailers. They do not always trust the foreign retailer"**.

The issue of adequately responding to the often diverse needs of local markets has been identified as one of the most significant problems to face internationalising retailers (Hollander, 1970; Alexander, 1997; Williams, 1992). This study similarly found that differences in British consumer tastes from those of the home, as well as other foreign markets as problematic to a significant extent for 45% of respondents, and highly significant for 18.3%. One French retailer, serving the young female fashion market, provided details of the differences between their French and British customers, notably in terms of the frequency of purchasing, (British customers shop more often), colour preferences (French customers prefer darker colours) and average spending levels, (British customers spend less per visit, but more overall).

At the time when the survey was conducted, the British currency within the context of the international money markets was at its strongest level for more than a decade. In particular, the pound was very strong against the French franc and the Italian lira, (The Economist, April 1998). 58% of respondents stated that currency fluctuations presented a major problem for their operations within the UK, with one company reporting that UK profits had declined by one fifth in the last financial trading period. 53% of companies stated that the availability of suitable sites within the UK was a major problem, although based upon the comments made by respondents, it would appear that the issue was not related to the appropriateness of these sites, but their rental costs. Three firms, two of which operated in more than ten countries, suggested that UK rental levels were the highest that they had to pay, while one firm stated that prohibitively high rental charges in the UK have meant that the company has had to suspend further growth in the UK until a franchise partner is found.

The availability of suitable trading partners did not appear to be a problem for the majority of respondents (68%), as were other factors such as government regulations (91.6%), lack of senior management support (78%), the availability of suitable management and staff (88%) or language difficulties (85%). Despite the fact that the majority of respondents identified differences in consumer tastes to be a major problem, 82% of respondents perceived the adaptation of their retail formula to suit local market needs as being non problematic. Figure 6.24 identifies the problems associated with operating outlets within the British market.

Problem Factor from UK Trading	1 %	2 %	3 %	4 %	5 %	Mean
High levels of competition	5.0	6.7	25.0	46.7	16.7	3.63
Availability of suitable trading partners	48.3	20.0	25.0	6.7	------	1.90
Government Regulations	78.3	13.3	5.0	3.3	------	1.33
Currency fluctuations	------	25.0	16.7	25.0	33.3	3.66
Differences in consumer tastes	------	11.7	25.0	45.0	18.3	3.70
Availability of suitable sites	------	8.3	38.3	41.7	11.7	3.56
Distribution costs	21.7	21.7	15.0	31.7	10.0	2.86
Financial costs	21.7	25.0	16.7	30.0	6.7	2.75
Insufficient market knowledge	18.3	40.0	16.7	20.0	5.0	2.53
Price competitiveness	10.0	15.0	31.7	25.0	18.3	3.26
Strength of fashion retailer brands within the United Kingdom	25.0	15.0	10.0	23.3	26.7	3.03
Strength of customer loyalty to British fashion retailers	30.0	13.3	10.0	21.7	25.0	3.10
Language difficulties	61.7	23.3	6.7	6.7	1.7	1.63
Adaptation of the retail formula to suit market needs	46.7	35.0	15.0	1.7	1.7	1.76
Lack of senior management support for United Kingdom market	65.0	21.7	13.3	-----	------	1.48
Availability of suitable management and staff	70.0	18.3	6.7	3.3	1.7	1.48

1= not at all, 2 = to a minor extent, 3 = to some extent, 4 = to a significant extent, 5 = to a very great extent.

Table 6.24 : Problems Associated with Retailing in the UK

6.10.1 Problems in the UK Market by Type of Fashion Retailer

Examining the problems within the British market by type of fashion retailer identifies that general fashion retailers appear to be the most affected by high levels of competition within the British market, and the difference between their rating of this 'problem factor' and that given by designer fashion retailers was found to be significant at alpha = 0.05 level. Price competitiveness, in particular, was a major problem for both specialist and general retailers alike, and again the difference between the general and designer retailers rating of this factor was found to be statistically significant at the 99% confidence level. Specialist fashion companies appeared to be the most adversely affected by the strength of customer loyalty to British fashion retailers. In contrast, designer retailers identified no threat from British fashion designers and this finding concurs with other studies which have identified the apparent

inability of the British designer / high fashion sector to capture significant levels of market share or customer loyalty within the home market (Fernie at al, 1997). The difference in the rating of this factor between specialist and designer retailers was found to be significant at alpha = 0.05. An explanation for the under-performance of British fashion designers within the home market may be related to the fact that foreign fashion designers perceive little or no threat from the strength of British fashion brands within the market. However, the general fashion retailers identified the strength of indigenous fashion brands to be a major problem. The difference between the assessment of this factor by general and designer retailers was also found to be statistically significant, (see Table 6.25).

While not statistically significant, general fashion retailers were most affected by currency fluctuations, with a mean of 4.00, while specialist fashion retailers were most affected by the problems arising from differences in consumer tastes (mean : 4.123). It may be the case that since specialist fashion retailers typically focus upon narrow product ranges, as a group they may be more vulnerable to changes in consumer preferences since they cannot readily shift their buying, merchandising and promotional focus away from one product category to another.

General fashion companies were more affected by insufficient market knowledge, with a mean of 2.991, and this result may in some way be related to that fact that general firms offer the most extensive range of products, across a number of categories. Despite the fact that respondents appeared sceptical of the value of market research, the availability of comprehensive market intelligence is clearly important to the development of a credible business strategy, in the UK and elsewhere.

Problem Factor from UK Trading	Mean Scores			
	General n = 18	Designer n = 27	Specialist n = 15	Oneway anova
High levels of competition	4.333	3.000	3.733	0.005*
Availability of suitable trading partners	2.056	1.926	1.667	0.540
Government Regulations	1.278	1.370	1.333	0.919
Currency fluctuations	4.000	3.741	3.133	0.102
Differences in consumer tastes	3.500	3.593	4.123	0.095
Availability of suitable sites	3.611	3.519	3.600	0.918
Distribution costs	3.050	2.630	3.067	0.474
Financial costs	2.944	2.593	2.800	0.664
Insufficient market knowledge	2.991	2.185	2.233	0.099
Price competitiveness	4.133	2.296	4.000	0.001*
Strength of fashion retailer brands within the United Kingdom	4.333	1.519	4.222	0.000*
Strength of customer loyalty to British fashion retailers	3.778	1.370	4.200	0.000*
Language difficulties	2.000	1.333	1.800	0.108
Adaptation of the retail formula to suit market needs	2.056	1.407	2.067	0.157
Lack of senior management support for United Kingdom market	1.667	1.333	1.533	0.3092
Availability of suitable management and staff	1.722	1.481	1.200	0.2499

1= not at all, 2 = to a minor extent, 3 = to some extent, 4 = to a significant extent, 5 = to a very great extent.

* = significant at alpha = 0.05 or greater

6.25 : Problems in the UK Market by Type of Fashion Retailer

6.10.2 Summary of the Problems Associated with UK Operations.

Clearly, the competitiveness of the UK market, particularly in relation to pricing, has been problematic for foreign operators. This problem appears to be further compounded by the strength of indigenous clothing retailers, (particularly in relation to the success of their brands), which give rise to significant levels of customer loyalty. With the further problems of currency fluctuations, high rental costs, as well as a range of customer tastes which appear to differ significantly from those of other markets, it is perhaps not surprising that a number of respondents described the UK as "the best but most difficult foreign market", as well as "the most complex". Of these difficulties, general fashion companies were most affected by the high levels of price competition, while the specialist firms were more troubled by the market strength of British retailers and the level of customer loyalty that these enjoy.

6.11 CHAPTER SUMMARY

The first stage of the empirical research of this study examined a number of dimensions relating to the operations of foreign fashion retailers within other foreign markets, as well as the United Kingdom market. The research considered the nature and characteristics of the foreign fashion retailers' international representation, the motives for their international expansion, the direction of that expansion, the methods of market entry that these employed, as well as the adjustments made to their market positioning in response to local market conditions. In addition to the examination of the internationalisation process, the research also considered the factors critical to the success of foreign entrants within the British market. The study concluded by examining the key problems that these retailers face while operating with the United Kingdom.

This section will seek to summarise the survey findings and will consider these within the context of the research propositions developed from the literature and presented at the end of Chapter Four. By way of conclusion, this section will consider the implications of these findings for the direction of the next stage of the empirical research of this study. As an aid to such a summarisation, Table 6.26 provides an overview of the international trading characteristics by type of fashion retailer, and as such, serves to underline the inherent differences to their approach to expansion within the UK.

Dimensions of Internationalisation	General	Designer	Specialist
Contribution of foreign sales to total sales of 50%+	22%	63%	47%
Contribution of UK sales to total sales of 5% or more	44%	56%	47%
Mode number of Export Countries	5	43	28
Mode number of Operating Countries	3	22	13
Average number of Retail Outlets abroad	49	187	81
Average number of UK Retail Outlets	26	6	13
Average number of outlets in foreign markets	12	5	4
20 + Years Exporting Experience	16.7%	55.6%	53.3%

20 + Years Exporting Experience in UK	5.6%	29.6%	33.3%
At least 10 years operating experience in foreign markets	33.3%	62.9%	66.7%
At least 10 years UK operating experience	39%	11%	26.7%
Exporting within 2 years of establishment	6%	33.3%	7%
Open foreign outlets within 10 years of establishment	27.8%	81.4%	20%
Principal motivations for entry into the UK market	• Market Size • Economic prosperity • Capitalise upon an innovative formula	• Appealing brand • Niche opp/nty • Senior mgt. committed	• Niche opp/nty • Economic prosperity • Appealing brand • Lack of UK competition
Principal modifications to UK marketing mix	• Choice of styles • Care / Labelling • Colours • Lower prices • Advert content • Promotion frequency. • Fixtures • Presentation methods • Window displays • Store layouts	• Add sizes • Promotions frequency • Care/ labelling	• Choice of styles • Care/ Labelling • Colours • Advert content. • Promotional frequency. • Fixtures • Presentation methods • Window displays • Store layouts
Principal UK Critical Success Factors	• Product mgt. • Brand appeal • Marketing expertise • Customer services • Pricing strategy • 'Know-how'	• Product mgt. • Brand appeal • Company / store image • Prestige / repute	• Product mgt. • Brand appeal • Foreign market experience • Company / store image
Problem Factors associated with UK Trading	• High competition • Strength of UK brands • Price competition • Currency fluctuations • Customers loyalty UK brands	• Currency fluctuations • Consumer taste differences • Availability of suitable sites	• Strength of UK retailer brands • Customers loyal to UK brands • Price competition • Consumer Tastes • High competition

Table 6.26 : Key Differences in International Trading by Type of Fashion Retailer

6.11.1 Profile of Respondents.

A breadth of market coverage was achieved by the majority of firms, as evidenced in the number of markets into which these export or operate retail outlets, and this may explain why foreign markets, (and the UK market in particular), were found to contribute significantly to the overall sales levels of respondents. The most popular forms of market entry into the UK were through full company ownership, followed by franchising. Many companies had extensive experience of operating within foreign markets, although for the majority, operating within the UK was a recent activity and, as such, the number of UK outlets operated was modest.

6.11.2 Motives for Internationalisation.

The research results indicate that overall the international expansion by fashion retailers is motivated largely by proactive considerations. Fashion retailers appear especially keen to exploit the opportunities afforded by a brand with an international appeal, as well as the niche opportunities within foreign markets. International expansion is less likely to be motivated by push factors, such as difficulties in the home market. However, the disaggregation of respondents into types of fashion retailer identified that general fashion firms were more likely to engage in foreign market expansion because of difficulties, such as market share saturation and brand maturity, within the domestic market.

Within the context of entry into the United Kingdom market, respondents were motivated by the desire to exploit niche opportunities and service demand among British customers for their brands. In terms of fashion retailer types, the results indicated that specialist companies were motivated by a perceived lack of competition within the British market, while designer fashion firms sought to exploit the appeal of their brands and general retailers, the large size of the UK

market. Referring to the first research proposition, presented in Chapter Four, which focused upon motives for fashion retailer internationalisation, and which was expressed as follows :-

"In deciding to engage in international expansion, fashion retailers are more likely to be motivated by proactive factors, such as perceived niche market opportunities within foreign markets, than reactive factors, such as home market saturation".

The results of the first research phase indicate that this first proposition <u>broadly stands</u>, although recognition must also now be given to the differences in motivation that exist between types of fashion retailer.

The second proposition related specifically to motivations for entering the UK market and was that :-

"In terms of their entry into the British market, the predominant 'pull' factors which attract foreign fashion retailers are those related to such dimensions as niche market opportunities and the availability of a brand that is appealing to British consumers".

This second proposition likewise <u>broadly stands</u> although recognition must also be given to the differences in the dominant motivation that exist between types of fashion retailer.

At this point, it is important to note again that there are limitations associated with using postal questionnaire in order to examine retailers' motivations for international expansion. In particular, it is impossible to ascertain whether a firm's motivations change over time as they become more experienced in foreign market operations, or whether their reasons for remaining in a market are the same as those for entering the market in the first place. Furthermore, there is the possibility that post-event rationalisation, and a lack of direct knowledge in relation to specific decisions, may have had an effect upon the accuracy of the explanations provided.

6.11.3 Direction of Fashion Retailer International Expansion

The survey results identified that fashion retailers initially export to, and operate within, countries which are geographically, culturally, economically or linguistically similar to the home market. As such, the concept of psychic distance appears to be a major factor in determining the direction of international expansion by fashion retailers. The recent focus upon the under-developed markets of Eastern European, Russia and South America would appear to indicate that fashion companies, as they become more experienced in international operations, also become more ambitious in their selection of new markets. There is therefore support from this study for the third proposition that :-

"Internationalising fashion retailers initially expand into markets that are geographically, culturally, economically or linguistically similar to the home market. As such, the concept of psychic distance is a major factor in determining the direction of the international expansion of fashion retailers".

6.11.4 Methods of Market Entry adopted by Internationalising Fashion Retailers

The survey found that the preferred method of entry into foreign markets in general was through organic growth, followed by franchising and these results were similar for entry into the British market. However, a statistically significant relationship was identified which linked the foreign and UK market entry of general fashion retailers with corporate store ownership and fashion designer retailers with franchising. As such, the fifth proposition that :-

"Organic growth is the preferred form of foreign market entry for internationalising fashion retailers".

broadly stands, but is must also be recognised that franchising is an important market entry method, particularly for designer retailers.

6.11.5 Strategies for Fashion Retailer International Expansion.

The fifth proposition stated :-

"Internationalising fashion retailers when entering foreign markets, such as the British market, are more likely to adopt global growth strategies, as evidenced by a lack of modification to their marketing mix elements"

The findings of this study indicate that internationalising fashion retailers, especially those companies that have entered the British market, engaged in fairly extensive modifications of their marketing mix elements. However, of the three types of fashion retailer, the greatest resistance to change in respect of market positioning came from the designer retailers who preferred to adopt a more standardised strategy. Therefore, the fifth proposition is not supported, but it is acknowledged that designer fashion retailers appear to resist extensive modification to their marketing mix elements upon entry into the British market.

6.11.6. Critical Success Factors and Key Problems faced by Internationalising Fashion Retailers.

Reflecting upon the factors crucial to the success of internationalising retailers within the British market in particular, the sixth proposition proposed :-

"The achievement of success within international markets, and the British market in particular, is dependent upon the availability of a clearly defined and appealing brand identity.

The survey results indicate that success within the British market depends upon the availability of an appealing product and brand, effective merchandise management, and the prestigious reputation and image of the company. Specifically in terms of the type of fashion retailer, general fashion firms attributed their success of competitive pricing, specialist retailers to their

image and experience from other foreign markets, while designer firms emphasised the strength of their brand and overall company image. Therefore, the sixth proposition is broadly supported, but relates more specifically to the experience of designer companies.

With regards to the problems that foreign entrants face upon entering the British market, the seventh proposition stated :-

"The most significant problem that foreign fashion retailers face upon entry to the British market is related to the negative situations arising from the cultural environment within the market."

The research results indicate that factors such as price competitiveness, customer loyalty to British retailers and their brands, variations in customer tastes, and economic factors, such as currency fluctuations and high rental costs, were problematic for foreign entrants. Of these, general fashion firms were most affected by high levels of price competition, while the specialist retailers were more troubled by the strong reputation of British retailers and their brands among British consumers. Therefore, while there is some evidence to support the seventh proposition, it must be noted that negative situations arising from the cultural environment constitute one of a variety of dimensions which prove problematic for foreign entrants to the British fashion market.

6.12   Direction for the Second Empirical Research Stage.

The findings of the first empirical research phase serve two broad purposes. Firstly, the results provide an overview of the nature and extent of the foreign market activity of foreign fashion retailers within the UK and other markets. Secondly, they serve as an impetus and provide direction for the second research phase, in that they highlight the need for a further and deeper

consideration of the actual process of internationalising fashion retail operations. In particular, the first phase found that foreign entrants to the British market undertake a variety of modifications in respect of their market positioning and must be receptive to local market conditions in order to maximise their success in the market. This would appear to have necessitated some devolvement of decision-making to British management. As such, consideration of home and local market management structures and the sharing of decision-making, would be advantageous within the second research phase.

Furthermore, it is clear that trading within the British market is a complex and at times problematic experience for fashion retailers. Further consideration of the range and extent of the problems faced by fashion retailers within the British market would inevitably provide insights into the dynamics of managing within an international context, turbulence within the organisational, task and macro environmental settings.

Finally, a useful direction for the second research phase was provided by one particular respondent who stated :-

We would be happy for you to continue your research with us. Fashion looks simple on the outside, but is complex on the inside. And it is much more complex when you operate within a market that is as competitive and demanding as the British market. You really only see all of that from the inside.

The following chapter will detail the methodological approach adopted for the second stage of the empirical research for this study.

CHAPTER SEVEN

METHODOLOGY FOR THE SECOND RESEARCH PHASE

Chapter Contents

This chapter outlines the research approach and methodology adopted for the second phase of the empirical research of this study. It explains the rationale for the adoption of an interpretivist research approach in the form of company case-studies and considers the issues associated with its operationalisation, interpretation and analysis.

7.1. INTRODUCTION.

The purpose of this Chapter is to provide details of the selection, development and management of the research methodology adopted for the second stage of this study. As was identified in Chapter Four, theoretical development within the area of retailer internationalisation in general, and particularly in relation to the foreign market expansion of fashion retailers, remains at an incipient stage, and there have been calls for further empirical studies to both enable and support that development. (Akehurst and Alexander, 1996; Fernie et al, 1997). In particular, it has been suggested that consideration be given to understanding more of the actual processes associated with the internationalisation of retail operations and the management decisions associated with these activities (Sparks, 1996; Clarke and Rimmer 1997; Dupuis and Dawson, 1999). As a means of obtaining a more complete understanding of the complex processes associated with retailer internationalisation, researchers have advocated the adoption of an in-depth and open-ended research design, that is *ipso facto*, qualitative in nature (Simpson and Thorpe, 1996; Quinn, 1999, Doherty, 2000). Accordingly, the adoption of a qualitative approach provides for a holistic means of data gathering, analysis, interpretation

and understanding that is eminently suited to research which examines the 'why' and the 'how'

of management decision-making and actions of organisations (Silverman, 1993).

Given that the broad aim of the second phase of this study is to examine the processes by which

foreign fashion retailers establish and manage their retail operations within the British market,

it was anticipated that by adopting an in-depth and open-ended approach, the complexity of the

dimensions of the research topic would be best identified and understood. Furthermore, and as

was discussed in Chapter Five, the adoption of a pluralist methodological approach is well

supported in the literature, not least for the fact that the combination of ideographic and

nomothetic research methodologies can provide a range and depth of understanding not possible

through the use of one method alone (Gill and Johnson, 1991; Lincoln and Guba, 2000).

The remainder of this chapter delineates the foci of the second research phase, and provides a

detailed account of the research design and methodology adopted.

7.2 RESEARCH OBJECTIVES OF THE SECOND RESEARCH PHASE.

As was identified in Chapters, Two, Three and Four, previous studies on retailer

internationalisation have tended to focus upon retailer's motivations for foreign market

expansion, (Alexander, 1990, 1995; CIG, 1994; Williams, 1992), the geographic direction of

that expansion, (Myers and Alexander, 1995; Burt, 1993; Chen and Sternquist, 1995; Davies

and Fergusson, 1995), the factors critical to foreign market success, and failure, (Williams,

1992; McGoldrick and Fryer, 1993; Dupuis and Prime, 1996), as well as the methods of

market entry that internationalising retailers adopt (Treadgold, 1988; Sparks, 1996). Much of

these previous studies have been concerned, in the main, with the activities of food retailers,

and the first research phase sought to re-dress that imbalance by examining these various issues

within the context of the experience of foreign fashion retailers operating within the British market.

Recognising the need for a further empirical and theoretical development of the research area, there have been calls for future research to examine the actual process of internationalising retail operations and the nature of management decision-making underpinning these processes (Sparks, 1996; Clarke and Rimmer, 1997; Alexander, 1997; Quinn, 1998, Dupuis and Dawson, 1999). Therefore, it was decided that the second phase of this study would build on the theories of retailer internationalisation contained within the literature, (as discussed in Chapters Two, Three and Four), and drawing from the findings of the first phase of the study, would investigate the process of internationalising store operations within the UK by foreign fashion retailers.

The findings of the first research phase had a clear influence upon the focus and direction of the second research phase with respect to three particular dimensions. Firstly, it was noted that organic growth, followed by franchising, were the preferred methods of entry into the British market by respondents in the first research phase. Arguably, these two entry mechanisms denote differing attitudes to the management of risk, costs and control with respect to store operations within the British market. Furthermore, this finding implies that the management structures that are used in order to co-ordinate and control operational activities within the British market may be dependent upon the method of market entry used. Consequently, within the context of the second research phase, it became apparent that a consideration of the nature and characteristics of management structures within the home and the British market, and particularly how these structures varied according to the methods of market entry used, would be necessary and worthwhile.

Secondly, the first research phase identified that the foreign fashion retailers entering the British market, and especially the general and specialist fashion companies, adapt their marketing mix elements, particularly with respect to product development and merchandising, pricing policy and image positioning in response to competitive conditions within the British market. These adaptations imply a degree of decision-making autonomy within the British market and as such, for the second research phase, necessitated a consideration of the processes and issues surrounding the demarcation of decision-making between the home and British management teams.

Thirdly, the preliminary research indicated that success and failure within the British market is inextricably linked to the ability, or otherwise, of the internationalising fashion retailer to generate a distinct and coherent brand positioning, achieved through the effective management of distribution channels, marketing communications and product merchandising. Consequently, each of these dimensions were identified as being worthy of fuller consideration within the second research phase.

Acknowledging that the nature of the internationalisation process was likely to be varied and complex, it was also recognised that the setting of precise research objectives would potentially inhibit and obstruct the study. Nevertheless, it also became apparent that there was a need to identify broad research parameters to adequately direct the study, as well as to secure the co-operation of the research participants and provide them with some guidance as to the areas to be covered. The preliminary research parameters, necessarily broad in their coverage, required an examination of :-

- the nature and characteristics of management structures within the home and British markets, and a consideration of how these may vary according to the methods of market entry used;

- the processes and issues surrounding the demarcation of decision-making between the home and British management teams;

- the mechanisms by which a clearly defined and appealing brand identity is established and maintained, particularly with respect to distribution, merchandising and market communications activities.

An explanation and justification for the choice of a qualitative research methodology from a philosophical perspective and the rationale for adopting a case study approach to data collection, is provided in Section 7.3 below.

7.3 PHILOSOPHICAL ISSUES ARISING FROM THE RESEARCH POSITION

Chapter Five provided a review of the two philosophical schools that are pre-eminent within social science research, notably the positivist and the interpretivist, and recognised the clear differences in the methodological approach of each. The two 'schools' are founded upon differing assumptions about the nature of society, and generate not only differing types of data, but also different representations of the social world. In particular, positivism has traditionally has been described as the scientific, and by implication, the 'superior' research method (Guba and Lincoln, 1994).

Within marketing research generally, and particularly with respect to research related to the internationalisation of retailing, positivist methodologies have tended to dominate. However, as has been recognised by Brown (1995), interpretivist approaches have become more common within the marketing journals, and similarly, the studies of Clark and Rimmer (1997), Fernie et al (1997, 1998); Quinn (1999) and Doherty, (2000), indicate the emergence of the phenomenological paradigm within international retailing studies.

There has been extensive consideration in the literature of the relative advantages and merits, as well as the difficulties and problems associated with both the positivist and interpretivist paradigms (Guba and Lincoln, 1994; Hughes and Sharrock, 1997). Mindful of these critiques, which were also reviewed in Chapter 5, it has been suggested that there is little value in debating which paradigm is the superior, the more effective or more legitimate, since they are predicated upon opposing philosophical assumptions which render such comparisons redundant (Hamilton, 1994). Instead, Hughes and Lincoln (1997) maintain that it is more relevant and of greater benefit to consider which particular methodological approach might best serve the objectives of a particular investigation. Therefore, the remainder of this section will seek to justify the adoption of an interpretivist /qualitative methodology as the more appropriate means of satisfying the objectives of the second phase of this study.

7.3.1 The Interpretivist Position.

According to Denzin and Lincoln, (2000), interpretivist research can be generically defined as follows :

> **It is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. They turn the world into a series of representations. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to their loves. (Pg. 3)**

As such, interpretivism is subjective and participative. It is not detached and is *qualitative* in nature. It is concerned with seeing the world as it is, maintaining that society is best understood from the perspective of the participant within their actual situation, rather than from a contrived and detached experimental context. Furthermore, interpretivist methodologies can provide as a final outcome, data that describes the situation, process or activity in a rich, deep and holistic way (Vidich and Lyman, 1994). Essentially, it provides for an holistic collection, interpretation and analysis of data, and recognises that the understanding of events and

situations is only truly possible when the context(s) of the situation are fully described and understood.

Interpretivism relies upon qualitative methods of data collection. Stauss and Corbin (1990) defined qualitative methods as "...any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification". It is concerned with literary and textual representations of the world, and qualitative data are normally presented as a flexible, open-ended, unstructured representation of a particular place and time (Hammersley, 1989). Critically, qualitative research is concerned *not with the frequency*, but the *meaning* of actions within an actual, non-contrived, social setting (Silverman, 1993). Bryman (1988) has attempted to characterise qualitative research using six criteria, and these are set out in Table 7.1 below.

1. "Seeing through the eyes of ..." or taking the subject's perspective.

2. Describing the mundane detail of everyday settings.

3. Understanding the actions and meanings in their social context.

4. Emphasising time and place.

5. Favouring open and relatively unstructured research designs.

6. Avoiding concepts and theories at an early stage.

Table 7.1 : The Characteristics of Qualitative Research Source : Bryman, (1988)

The objectives of the second phase of this study, as outlined in Section 7.2, were not suited to scientific modes of abstract, objective measurement and statistical testing in the form of quantitative analysis. The purpose was not to search for definitive proof or fact. Instead, the research was concerned with obtaining in-depth descriptions and understanding of the dimensions integral to the process of internationalising retail operations into the British fashion

market. It sought to obtain rich descriptive accounts of management behaviour and thinking so that the existing concepts and arguments relevant to the internationalisation of retail operations may be further developed and understood. Therefore, it was necessary to adopt an empathetic, 'insider-based' method of data collection which would provide for clarity and a depth of description in terms of events, situations and management decision-making.

7.4   Developing the Research Design

According to Janesick (2000), a qualitative research design refers to the personal, face-to-face and the immediate and ought to focus upon obtaining an understanding of a given social setting, acquired by the researcher entering the setting for a period of time. It necessitates that the researcher become the research instrument, through the use of such techniques as observation and interviewing, and requires that the time taken to analyse the data be equal to the time spent in the field.   Furthermore, she argues that the process of research design commences with the identification of a research question, and only after the research question has been identified can the selection of an appropriate method of data capture take place.

The research 'question' for the second phase of this study considers the 'how' and the 'why' of foreign fashion companies' internationalisation of retail operations within the British market. The remainder of this chapter will explain why a multiple case study method is the appropriate means of data capture for this research phase and will then outline the four stages of case study development that were adopted : preparation for data collection, data collection, data analysis and the case study write-up, as identified by Yin (1989).

7.4.1 Appropriateness of a Case Study Design.

Case studies have been described as an attempt to illuminate a decision or set of decisions, particularly in terms of why they were taken, how they were implemented, and with what result (Schramm 1971; Patton, 1990). Stake (2000) suggested that a case study is both the process of learning about the case as well as the product of that learning. Yin (1989) suggested that the case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context and not clearly evident and in which multiple sources of evidence are used.

Stake (2000) identified three types of research case study. The first is the *intrinsic,* which seeks to obtain a better understanding of a particular case. The second is the *instrumental* case study which involves the examination of a particular case, but not for reasons of interest in the selected case, but because that case provides further insight into an issue or helps to refine a theory. The third type is the *collective case study* which involves studying a number of cases jointly in order to enquire into a phenomenon, population or general condition. Here there is even less interest in one particular case, but the cases are chosen because it is believed that an understanding of them will provide for a more complete understanding and better theorising about a still larger number of cases. The third type was adopted for this study.

In his review of the five major research strategies used by social scientists, (i.e. experiments, surveys, archival analysis, histories and case studies), Yip (1989) suggests that a case study design ought to be adopted when a 'how' or 'why' question is being asked about a contemporary set of events, over which the investigator has little or no control. Similarly, Patton (1990) suggested that case studies are appropriate when the researcher seeks to understand a particular situation, process or set of behaviours in significant depth. Case studies

also have been credited as an effective way of gaining a rich depth of information into the dynamics of organisational activity, affording the opportunity to generate and test theory (Stake, 1994).

Within a marketing context, Perry (1998) contended that while case studies are more commonly used as teaching devices, they have an important function as a research methodology through their application to complex contemporary marketing topics about which little academic research may have been published. Furthermore, case study research provides for inductive theory building and compensates for situations where there is a lack of established theory and accepted principles and constructs have not been established or are clearly inadequate. And arguably most significant of all, Perry (1998) contended that case study research involves the gathering of perceptions of 'unobservable' external world phenomena such as perceptions and attitudes.

Within the context of this research, there are three important reasons which support the use of a case study design for the second phase. The first and perhaps the most compelling is that this study seeks to examine the 'why' and 'how' dimensions of foreign fashion retailer internationalisation into the UK. Following from Yin (1989), and Perry (1998), the use of the case study method affords the opportunity to enter the research field, gain close proximity with those involved in the process of managing international retail operations, and so obtain an intimate understanding of the situation. Secondly, there is a distinct lack of empirical work in the area of retailer internationalisation and the adoption of a case study method may provide rich and relevant data illustrating the actual experiences of internationalising fashion retailers. And thirdly, given the paucity of theoretical work in this area, the availability of rich and relevant case study data offers the possibility for theory generation and development.

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7.4.2 Preparation for Data Collection

<u>7.4.2 (i) The role of theory</u>

As a preliminary preparation to data collection, Yin (1989) maintains that "a complete research design embodies a 'theory' of what is being studied. The simple goal is to have a sufficient blueprint for your study, and this requires theoretical propositions". Accordingly, these theoretical propositions determine the questions to be considered, the selection of the actual cases and the criteria for interpreting the findings.

In contrast, the identification of directional theoretical propositions at the beginning of a study is rejected by grounded theorists (Glaser and Strauss, 1970; Strauss and Corbin, 1990; 1994) who argue instead for the generation of theory from data alone and after the data gathering stage has been completed. Otherwise, pre-established theories serve only to impede and undermine the development of new theories and conceptual frameworks. Accordingly, theory cannot be disassociated from the process by which is was generated, since the processes of data collection, analysis and interpretation are achieved simultaneously.

The extreme position of grounded theorists brings to light a situation where there is "no theory under consideration and no hypothesis to test" (Eisenhardt, 1989). Perry (1998) noted a refinement in the position of the grounded theorists, with proponents, such as Glasser and Strauss (1987) conceding that in practice it is more difficult to ignore the theory accrued before beginning the research process. Prior knowledge gained through socialisation inevitably influences the formulation of the research design, and according to Perry (1998) commencing a study "theory-free" is neither possible or preferable.

Miles and Huberman (1994), arguing that it is impossible to separate the processes of induction and deduction, suggested a pluralistic position where the availability of prior theory serves as a basis for research design and the analysis of data but that the established theory must not

inhibit the development of new and useful theory. Reflecting upon the fact that 'pure induction' may prevent the researcher from benefiting from existing theory, while 'pure deduction' may inhibit new theory development, Parke (1993) contends that progressive theory development necessitates a 'continuous interplay' between both perspectives. Furthermore, the benefit of even a loosely defined theoretical framework resides in its ability to provide a particular direction and focus for a research programme, thus ensuring that the process of data collection is efficient and effective (Mintzberg, Quinn and Ghoshal, 1995; Hughes and Sharrock, 1997).

Within the context of this study, the literature on retailer internationalisation provided a broad context for the activity of retailer internationalisation, as did the literature relevant to the management of retail operations, but given the lack of a theoretical framework relevant to the actual process of internationalising retail operations, the literature did not impose any a priori assumptions about the nature of fashion retailer international development. Instead, the international retailing literature, coupled with data pertinent to the British fashion market and to the case companies themselves, and the findings of the first research phase served to provide an informed direction for the second phase of the study.

7.4.2 (ii) The Number of Cases.

An important consideration in case study design is to ask "how many cases are required ?". Eisenhardt (1989) suggested that the selection of cases is an on-going activity and ends whenever 'theoretical saturation' has been reached, and likewise, Guba and Lincoln (1994) maintained that case selection continues until the point of 'diminishing returns'. Yin (1989) argued that prior to any data collection, a decision must be made as to whether a single case study or multiple cases are going to be used to address the research questions. He suggests that a single case study design is appropriate whenever a single case exists which meets all the conditions needed to confirm, challenge or extend a theory, when it represents an extreme or

unique case or when the case is revelatory, in that it provides the opportunity to observe and

analyse a phenomenon previously inaccessible to scientific investigation.

As for multiple case designs, while recognising that these are more resource and time intensive

than a single case study, Yin (1989) maintained that the evidence from multiple cases is

considered more compelling, and the overall study is therefore regarded as more robust. Perry

(1998) maintains that a multiple case design ought to be adopted in postgraduate research

because they allow cross-case analysis to be used for the richer development of understanding.

In the light of these benefits, it was decided that a multiple case method would be adopted for

this study.

7.4.2.(iii) Criteria for selection of case companies

The criteria for selecting the case companies was driven largely by the objectives of the second

research phase, as explained in Section 7.2. Therefore, it was required that the case companies

should:-

• originate from outside the United Kingdom market;

• operate at least one fashion retail store within the United Kingdom and for a period of at

  least two years so as to provide a sufficient depth of experience;

• be geographically accessible so as to allow the researcher the opportunity to spend a period

  of time within the organisation.

For the second phase of the study, a total of seven case study companies were included. These

case companies were recruited through a process of self-selection . The final section of the

questionnaire sent to foreign fashion companies in the first research phase requested their

participation in the follow-up, in-depth research stage. Of the sixty responding companies,

seven agreed to participate in a further research stage. Four were French fashion companies;

Naf Naf, Lacoste, Kenzo and Jacadi, two were Italian; Max Mara and Diesel, while the German womenswear retailer, Escada, was the seventh company. A profile of each of the seven case companies is provided in Appendix 4.

As to justification for the inclusion of all seven companies, the first stage of this study identified three types of internationalising fashion retailer the product specialist, the designer retailer and the general fashion retailer. The seven case companies allowed for each of these 'types' to be included in the second research phase, with Escada, Kenzo and Max Mara identified as designer retailers, Naf Naf, Diesel, as representatives of general fashion companies, and Lacoste and Jacadi as specialist fashion retailers. Furthermore, the first research stage noted that the majority of foreign entrants to the British market were from France and Italy. The inclusion of the seven case companies, with six originating from either France or Italy, meant that fashion retailers from these two important countries were adequately represented in the second phase of this study. Finally, each of the seven companies had operated within the British market for at least five years and are recognised as among Europe's most significant fashion companies (Mintel, 1997).

7.4.3 Accessing the Case Companies.

With respect to the initial contact with each of the case companies, a letter explaining the purpose of the next research phase was sent in May 1988 to the company representatives who had indicated their company's willingness to participate in the study. These representatives were typically International Marketing, International Operations, Buying and Export Directors. This letter explained the aims of the research and provided a broad overview of the topics to be investigated. The recipients were asked to identify, using a 'fax-back' letter, dates in the period June to October 1998 when it would be convenient for the research to take place. In addition, a

request was made that the companies send by post any information relevant to their operations within the British market.

At the same time, arrangements were made for French, German and Italian interpreters to be available during some of the research. The interpreters, who had undertaken the foreign language translations for the first research stage, were available for the four days spent with Escada in German, the four weeks spent in France and for the three weeks spent in Italy. In the event, the vast majority of interviews were conducted in English and the role of the interpreter was usually confined to translating specialist vocabulary and local idioms.

7.4.4 Methods of Data Collection

Six sources of evidence have been identified for data collection in case study research : documentary evidence, archival records, interviews, direct observation, participant-observation and physical artefacts (Yin, 1989; Marshall and Rossman, 1995). For this study, three evidence sources were used : documentary evidence, interviews and direct observation.

7.4.4 (i) Documentary Evidence

The most important use of documentary evidence in case study research is to use these as sources of corroboration and as a method of augmenting information from other sources (Marshall and Rossman, 1995). Furthermore, documentation provides evidence of corporate activity and previous decisions which may not be easily explained by present company representatives. However, as Miles and Huberman (1994) pointed out, documentary evidence may be biased and researchers must acknowledge that these may not accurately represent actual events.

The documentation made available by the case companies included reports detailing company history and organisational structures, company operating manuals, management training manuals, internal company newsletters, press releases, market research reports, photographic stills of stores and products, as well as advertising copy. None of the companies would provide formal access to internal company memoranda, the minutes of meetings, or legal documents and the like. On occasion, however, some managers allowed a cursory examination of certain contractual documents, but insisted that their identity was not disclosed as a result. Despite these restrictions, the documentary evidence that was made available provided useful insights into many of the key problems and issues faced by the case companies, as well as information relevant to the operationalisation of their retail outlets within the British market. That said, it is also acknowledged that much of the documentary evidence could not be fully understood without a prior understanding of the organisational and trading context. Therefore, the documentation was used cautiously and in conjunction with interviews and observation.

7.4 4 (ii) Interviews

The interview has been described as the most significant source of information within case study research, (Bonoma, 1985; Perry, 1998), and of these Yin (1989) identified two particular types. The first is the open-ended interview, which is generally unstructured in its approach and involves the interviewer asking for facts, as well as the opinions of the interviewee, in a flexible and fluid way. The second is the focused interview which is more likely to last for a shorter time period and involves the interviewer following more closely set questions derived from the case study aims and objectives.

The latter interview approach was adopted for meetings with company directors. Typically, a structured interview schedule was developed, which was tailored to suit the specific circumstances of each of the case companies, and this was passed to the directors prior to the

interview taking place. In the majority of cases, however, the interview schedules acted more as a guide for the meeting, and the interviews were a flexible and relaxed discussion of relevant and interesting issues and topics as they arose. By adopting this semi-structured approach, direct comparisons between director's responses, both within and between companies, could then be drawn.

The areas covered in these executive interviews were largely influenced by the Executives' respective areas of responsibility, which included buying, marketing, operations and distribution. Generally, these interviews focused on strategic matters and the issues relevant to operationalising their trading strategies within the British market. All of the interviews were tape recorded.

For meetings with less senior members of staff, a more open-ended, unstructured approach was used. In these circumstances, a range of topics for discussion were identified which were then adapted to reflect the roles and responsibilities of the staff being interviewed. The selection of interviewees was largely dependent upon their availability and the personnel structures of the organisation. Interviews typically involved staff with responsibility for foreign market operations, and who had specific experience of the British market. Among those interviewed were product designers, buyers and merchandisers, export personnel, distribution, promotion and marketing managers, as well as brand managers and staff responsible for advertising.

In the majority of cases these interviews tended to focus upon the individual's responsibilities and connections with respect to the British market. In addition, respondents were asked to focus upon the issues and problems associated with operating within Britain so as to provide a more critical view of events than those described by the directors who appeared reluctant at times to address contentious issues. The majority of these interviews were tape recorded, however, on

occasion these were not recorded at the request of interviewees who were concerned with protecting their anonymity. At these times, notes were taken during the course of the interview.

A total of forty two interviews were conducted with various representatives of the case companies at their Head Offices. An average of six interviews were undertaken within each company of which, at least two were conducted at Director level. Each interview lasted at least one hour, while over half extended to two hours. Furthermore, interviews were undertaken with various individuals responsible for the management of the case companies' operations within the British market. Further details of these interviews is provided in Section 7.6.

7.4.4 (iii) Direct Observation

Adler and Adler (1994) explain that direct observation happens within the natural context of occurrences and requires involvement by the researcher with the actors who normally participate in the observed action and provides the possibility of their witnessing connections, correlations and causes as they unfold. Given that the time available within each company was restricted, the nature of what could be observed within the companies was limited. Most of the activities and tasks undertaken by staff responsible for foreign operations was routine clerical work, and involved communicating within the British and other foreign markets using telephone, facsimile and e-mail.

Unfortunately, none of the companies were able to accommodate attendance at Board Meetings, or meetings involving confidential decision-making. However, access was granted by some of the companies to events such as :-

• training sessions, for UK-based managers, introducing new visual merchandising standards for foreign markets;

- product selection meetings where British buyers were involved in the allocation of fashion ranges for the UK market;

- the launch to senior foreign managers of a new international corporate advertising and promotions campaign;

- forecasting meetings, (conducted in English since the forecasting company that was used was from London), which were used to direct new product range developments;

- meetings with British managers to Head Office in order to discuss company performance, competitor activity and the development of new advertising initiatives for the British market.

As well as these occasions, the researcher was also given permission to observe activities within design departments, production units, warehouses and the companies' local stores. It was often not practical or indeed, permissible, to tape record any of these events. Instead, written notes were taken during these meetings, and this activity did not appear to be out of place since the majority of those attending the various meetings and presentations also took notes. As soon as possible after these events, the notes were developed, and expanded and written-up in full so as to provide a more comprehensive account of the events attended.

7.5 Concluding the Investigation - Leaving the Case Companies.

Marshall and Rossman (1995) maintain that the protocols to be followed whenever an investigation concludes and the researcher leaves the site are as important as those which relevant to the beginning of a study. They suggest that the time for fieldwork to be concluded is when recurring issues, behaviours and topics continue to emerge and the point of data saturation has been reached. By the end of the agreed time with each company, this stage was more or less reached, and certainly by the time the seven site visits had been concluded, no new and relevant issues were being identified.

Upon returning home, a letter thanking each of the case companies for their co-operation was sent. Thereafter, the data gathered as part of the second research phase was analysed and a report was written for each of the companies covering the range of issues included in the investigation. This report was sent to the personnel who either had served as the initial contact within the companies or to those who subsequently took responsibility for co-ordinating the research within the organisations. The contacts were asked to examine the reports and correct any inaccuracies and address any issues of confusion, as necessary.

7.6 Visits to British Management Sites

Interviews with the foreign case studies identified that those responsible for managing retail operations directly within the British market played a crucial role in terms of strategy implementation and monitoring day-to-day operations. Consequently, it became apparent that their views and experiences should be incorporated into this study. Therefore, upon return to the UK, interviews were also arranged with a variety of individuals who were directly responsible for the management of the case companies' British operations. Those interviewed within the UK included Managing Directors, Buying and Marketing Directors, and retail managers and agents responsible for the distribution of the case companies' products.

Initially, it was found that these British managers were much less accommodating than their foreign counterparts, and there appeared to be a suspicion that the study was, to use the words of one agent, "a spy mission", carried out on behalf of their foreign management. A number of telephone conversations were had with British management to assure them that this was an academic study and was not instigated by foreign management partner. Those companies that acted as agents for the foreign companies were especially suspicious, and required that detailed interview schedules be sent prior to agreeing to an interview and these refused to answer certain

questions. A total of eleven interviews were carried out with representatives responsible for the case study companies' British operations in November and December 1998. All of these interviews were carried out in London since each had based their British head offices there. Interviews with the Agents lasted the shortest length of time, between fifty and seventy minutes. In these cases, it was only the Agent, or their senior assistant, that was interviewed. The management of the British subsidiary companies were more accommodating. Consequently, the time spent with these companies was longer, and in one instance, four hours of interviews were conducted in one day.

7.7   Data Analysis

The literature suggests that there is no established, universal and / or superior approach to the analysis of qualitative data, and that the techniques of analysis and interpretation used by qualitative researchers are many and varied (Tesch, 1990; Marshall and Rossman, 1995). However, while there is no one received technique, it is clear that such analysis operates at a strategic, as well as an operational level. Yin (1989) stated that the case study researcher must develop an "analytic strategy" to adequately interpret the acquired case study data, and identified two approaches. The first is to base the analysis and interpretation upon the theoretical propositions that led to the case study, and to use these to focus attention on specific data, organise the data and identify causal relationships that may exist. The second strategy is adopted when no clear, fully developed theoretical propositions were identified prior to the study, and is based upon the development of a descriptive framework drawn from the conceptual themes that emerge as significant during and after the data collection stage.

The operational level of the analysis process is primarily concerned with data management, and typically precedes the application of the analytic strategy identified above. Typically, the data

management phase, as expressed in the literature, shares common stages, relating to organising

the data, generating categories, themes and patterns, creating data displays, (such as flow

charts in order to examine data), tabulating the frequency of different events, and the placing of

information in chronological order (Miles and Huberman, 1984; Yin, 1989; Marshall and

Rossman, 1995). The adoption of this process allows for a systematic, organised and

comprehensive analysis of the case study data (Stake, 1994).

7.7.1 Data analysis procedures adopted.

Through-out the data collection stage, the case-study data was organised and interpreted in a

loose and informal manner. The 'formal' analysis and interpretation of the data did not

occur until all of the interviews had been concluded. The procedure for organising the data was

achieved manually, as well as through the use of the NUD*IST computer package, and

involved a number of stages as delineated below.

Stage 1 - Firstly, all notes and tape recordings were transcribed and stored onto computer

discs, using the Microsoft Word Version 6 computing package. Where possible, all documents

and papers were transferred onto the same package using computer scanning techniques.

Subsequently, (following Yin, 1989), consideration was given to existing theories and concepts

related to the internationalisation of retail operations in terms of their usefulness in the

development of an analytic framework. As has been identified, these theories were found to be

limited in their application, and while the literature did provide some guidance, such as with

regard to the stages of international operations development, it was necessary to rely upon the

second "analytic strategy" identified by Yin (1989), whereby a descriptive framework of

dominant concepts and themes was developed as they emerged from the analysis.

Stage 2 - A preliminary analysis of the case materials was begun with an initial reading of all of the data so that a general sense of the data could be established. In line with Huberman and Miles (1994) suggestion, efforts were made at this stage to identify the predominating issues, (as measured by their frequency of occurrence and the extent to which these were regarded as important by respondents), emergent patterns, as well as areas of potential contradiction and discord. From this stage, an initial set of categories was identified. Generally, these categories related to the various stages and activities relevant to the internationalisation of operations on the part of the case companies, and covered such dimensions as management structures, management decision-making, distribution planning, product ranging and development, and brand positioning.

As part of this stage, and following from the procedures identified by Guba and Lincoln (1994), a 'funnelling process' was adopted, whereby the broad categories were sub-divided into more precise groupings. These sub-categories were selected on the basis of their significance, mutual exclusivity and ability to stand by themselves (Yin, 1989). As an example of these sub-divisions, within the category of management structures, further categories were identified as follows :- central management structures, local management structures, direct management within the UK, partner management within the UK, the evolution of local management structures.

Stage 3 - The third stage involved classifying segments of the actual data narrative using these various categories. This classification was achieved through the use of the NUD*IST computer software programme. The NUD*IST system provided a code and retrieve facility, whereby segments of text were retrieved and 'gathered together' by virtue of their sharing a common code. In addition, because the codes and references were kept in an index system, it was also possible to create, change and manipulate concepts on an on-going basis as more compelling

evidence emerged, as well as store and explore ideas as these developed. As has been identified in stage 2, a variety of sub-category codes were identified, and because the NUD*IST allowed for hierarchical indexing, (through the indexing tree), it was possible to visually explore on the computer screen the organisation of the various categories and sub-categories, and so develop a taxonomy of concepts.

As well as providing a speedy and comprehensive retrieval system, the NUD*IST software package also assisted in the review and auditing of the actual research process, significantly assisted in the process of data interpretation, and because of the inter-dependent structure of the indexing system, also supported the development of what Yin (1989) described as a conceptual framework that served as a template for analysing the cases.

Stage 4 - Following from Yin (1989) and Huberman and Miles (1994), the analysis was done on a case-by-case basis, with each of the companies identified as an independent case. The analysis involved the application of the analytical framework upon the first case, (which was the first company to be interviewed), as suggested by Patton (1990), and then the successive cases were examined to see whether the pattern matched or varied from the one analysed previously. As part of this process, classifications were constantly identified, refined or re-assigned in order that a clear, authentic, consolidated and credible picture of the processes integral to the internationalisation of fashion retail operations could be obtained.

Furthermore, this stage also involved the identification of cross-connections and relationships between and within the case examples. This process was made simpler through the application of the NUD*IST software since the index trees made it possible to identify, retrieve and explore relationships and make comparisons between the respondents in respect of a variety of issues and concepts. Given the extended period of time spent gathering, organising and reflecting upon

the data, it was possible to detect significant relationships, make accurate comparisons, and provide meaningful interpretations of events and comments.

Throughout this process of cross-analysis, consideration was also given to the tensions identified by Yin (1989), whereby the determination to understand generic processes across a number of cases can result in the ignoring of an individual case's uniqueness. This desire to reconcile the particular with the universal may result in a lack of due consideration of context, giving rise to narrow, and possibly superficial, understanding. Consequently, attempts were made throughout each stage of cross-case analysis to ensure that full consideration was also given to the specific context of each, thus allowing for important, local information to be included in the writing-up of the results of the study. This was achieved through the extensive reporting of the various respondents' direct quotations and the inclusion of narrative accounts of the operating context of each of the case companies within the results section.

Stage 5 - Huberman and Miles (1994) suggested that the final stage of data analysis is concerned with identifying and verifying conclusions, whereby conclusions can be made whenever information sources are saturated, classification categories are exhausted, and regularities within the data are established. Conclusions are thus verified and confirmed through triangulation, a process which in its broadest terms seeks to identify a convergent similarity in the claims of independent parties in respect of the same phenomenon.

Within this study, the procedures outlined above were followed to the point where a clear and comprehensive overview of the processes relevant to the internationalisation of fashion retailer operations was obtained. As a check on the validity of the assertions, interpretations and conclusions made in the study, the final stage in the analysis sought to ensure that there was compelling supporting evidence from the data, and that there was corroborated from a

sufficient number of sources to justify these. As a result of this process, some observations and conclusions were modified or discarded, while the remainder were deemed verifiable, appropriate and significant.

7.8 LIMITATIONS AND CRITICAL REFLECTION

The problems relevant to the second research stage relate principally to issues surrounding the methods of data capture used, as well as those associated with the role of the researcher in this type of study. As was delineated above, three methods of data collection were used : documentary evidence, interviews and direct observation. The issues associated with each are detailed in the following sections :-

7.8.1 Issues associated with Documentary Evidence

An important limitation in respect of the use of documentary evidence was the fact that none of the case companies would provide access to internal communications, the minutes of meetings or legal documents and the like. As such, it was not possible to gain access to what could be considered as important indicators of the nature and tenor of internal and external company relationships. Much of the documentation that was made available, such as operating and training manuals and press releases was undoubtedly generated in order to portray a positive image of the respective companies, and as such, was not self-reflective or critical. Despite these shortcomings, the documentation did nevertheless provide a useful context for the study.

7.8.2 Issues associated with Interviews

Three main problems or difficulties however, can be identified with respect to the use of informant interviews as part of this study. The first relates to the fact that some interviewees were able to provide valuable information in respect of the various difficulties that they

encountered while operating within the British market but were afraid that UK-based managers might get to hear of their criticisms. Despite reassurances that their observations could be reported anonymously, and that this was a piece of academic research which would not be readily available to British management, the interviewees remained reticent and either refused permission for the details to be disclosed in the write-up of this study, or refused to answer certain questions.

Secondly, because the departments responsible for international operations typically had a small number of staff attached, personnel were time-pressured and unable to spend extended periods discussing and reflecting upon particular issues. As a result, interviews often had to be abandoned and then re-arranged, and as a result some of the momentum was lost as a result of these interruptions.

Finally, in some of the companies, the choice of interviewee was closely monitored and controlled by senior management, and as such there was no free access to staff. Within one company, it was suggested by one interviewee that anyone who might "show the company in a bad light, or make it look as if we did not know what we were doing", was not allowed to speak.

7.8.3 Problems associated with Direct Observation

Adler and Adler (1994) identify two main problems related to direct observation as a means of data capture. The first relates to research validity, and the issue of researcher bias. This was undoubtedly a concern within this study, since as the sole researcher, the author had to rely upon his own perceptions and make subjective interpretations of the various situations encountered. The second problem was that direct observation techniques lack reliability and it

is impossible to confirm that the significance of observed actions and patterns are real and are not merely the effects of chance, or some other form of manipulation.

As a means of addressing the issue of research validity, cross-checks were made whereby the situation participants were asked to enrich, confirm or refute my personal observations and perceptions after the various events had taken place. This generally occurred immediately after a meeting or event. This approach served to provide further useful data in that it encouraged respondents to provide further background information and encouraged them to further reflect on issues that would not have otherwise been considered.

Typically, the measures developed in order to address the issue of research reliability relate to the systematic and repeated observation of conditions and events with a view to seeing whether these yield the same findings. Unfortunately, given that the events attended, such as training sessions, product selection meetings and advertising launches, were only held once during the time spent within the case companies, it was not possible to engage in repeat observations within specific companies. However, it was possible to observe these various events within the different companies, and so it was possible to compare the actions and procedures across the case organisations and so provide at least some evidence that the activities described were a reliable record of the sorts of activities that exist within internationalising fashion retail companies.

A final limitation relates to the role of the researcher, not only in terms of the collection and analysis of data, but also in terms of its interpretation and analysis. The analysis of qualitative data is a learned skill, developed intuitively through practice and application and not through the reading of texts and manuals (Denzin and Lincoln, 1994). Therefore, having completed the task of gathering, analysing and interpreting the data for this study, and subsequently reflecting

upon that process, one cannot help but feel that had the skills that have now been developed as a consequence of these activities been available at the outset, then the quality and depth of the findings of this study would have been further improved. Consequently, it is necessary to acknowledge that, as in any case study, there is the danger that the interpretation offered here has been erroneously understood, oversimplified and / or over-developed in certain aspects as a result of the researcher's limitations.

7.9 CHAPTER SUMMARY

This chapter has described the methodology for the second research phase. The research objectives were identified and the research position defined and defended from an interpretivist research perspective. The research design was then presented and an explanation and justification was offered for the adoption of a multiple case study approach to data collection. Subsequently, the case study protocol was explained, and the three sources of evidence in the form of documentation, interview and direct observation were discussed. The data analysis procedures were detailed at length, and a five stage procedure was described. The chapter concluded by critically reflecting upon the limitations of the research methodology that was adopted.

Chapter Eight presents the findings of the second phase of this study.

CHAPTER EIGHT

FINDINGS OF THE SECOND RESEARCH PHASE

Chapter Summary

This chapter provides the findings of the second stage of the empirical research. It begins with a consideration of the significance of the UK market to the case study companies. The key dimensions of the process of internationalising fashion retail operations are then identified. These five dimensions are then discussed within the context of the case companies internationalising retail operations within the British market. The chapter concludes by summarising the key findings of this qualitative research phase.

8.1 INTRODUCTION

As was discussed in the previous chapter, the literature acknowledges that little is known or understood about the internationalisation of fashion retail operations. Therefore, the first stage of the empirical research examined the motivations, methods of entry, adaptations, critical success factors, and barriers to success identified by sixty foreign fashion retailers that had 'internationalised' their operations by opening stores within the British and other markets. Based upon this broad overview, the second research phase sought to provide a more in-depth understanding of the actual process of internationalising fashion retail operations by reflecting upon the activities, problems and issues faced by fashion retailers as they seek to establish, manage and develop retail operations within a foreign market, in this case, the British market.

The structure of the chapter reflects the open-ended, explorative and inductive approach adopted in the second research phase, which, without the imposition of existing and rigid frameworks, evolved and developed through the direction and advice of the informants, the findings of previous studies, as well as the knowledge and understanding of the researcher (Patton, 1987; Gill and Johnson, 1991).

8.1.1 Presentation of Research Findings by Type of Fashion Retailer

In the first research stage, four categories of international fashion retailer were identified, (see Figure 4.1, Pg. 116), and of these, three types were recognised as being relevant to this study, specifically the specialist, designer and general fashion retailers. In Chapter Seven, Section 7.4.1(iii), it was explained that the seven case companies were included so as to allow for each of the three types of international fashion retailer to be represented in the second research phase.

However, in the presentation of the second research phase findings which follow, the analysis and presentation of findings is based upon the responses of the specific companies identified by name, where possible, to the various issues and dimensions under investigation, and not by type of international fashion retailer. There were three main reasons as to why the decision was made to abandon the use of international fashion retailer type as the basis for analysis and presentation in the second research phase. The three reasons are outlined below.

Firstly, and perhaps most significantly, in certain sections of the study some of the companies demanded complete confidentiality in reporting. As well as not identifying the company name, they requested that no alternative form of identification be adopted which could in-turn be used to reveal their identity. Given that for the specialist and general fashion categories there were only two companies included in the survey, it was felt that the use of fashion retailer type could not assure anonymity. Indeed, one company, after obtaining the first draft of the research findings in order to obtain their comment and approval of accuracy, insisted that the use of 'type' be removed or they would have to insist that they be withdrawn from the study.

Secondly, given that the number of cases included in the second research phase was limited to seven companies, and following from Yin's (1989) observation that the value of case study

research resides not so much in its ability to provide representational findings, but instead in its ability to generate insights and understanding concerning issues and situations where previous understanding is limited, it was felt inappropriate to claim that the experience of perhaps one or two companies could be generalised to represent the experiences of all within that category.

Thirdly, it was recognised from the first draft of this qualitative findings Chapter that the attempt to analyse and present the results on the basis of fashion retailer type served to inhibit and obstruct the emergence of the key issues associated with the process of internationalising fashion retail operations within the British market. As such, the researcher made the decision that the primary value of the study was not so much concerned with categorising the experiences and activities of fashion retailers, but was instead concerned with identifying, exploring and providing a clearer understanding of those experiences.

Therefore, to conclude this section, which it is acknowledged that there is a discontinuity in the method of analysis and reporting between the first and second research stages, principally in terms of the use of fashion retailer type as a means of classification and comparison, it is argued that for the reasons identified above, this course of action was not only justifiable but was wholly appropriate for the second research phase.

8.2 Motives for Remaining within the UK Market

Hollander (1970) argued that it was as important to consider a retailer's motivations for continuing operations within a foreign market as it was to consider their reasons for entering that market in the first place. For it was his contention that an understanding of the retailer's assessment of the importance and value of a market may explain their decisions with respect to why and how they develop and manage their retail operations there. From the introductory interviews with Kenzo in Paris, (the first company to be visited), and from subsequent

interviews with the other firms, it became obvious that some consideration of the importance of the British market to the case companies would indeed provide a vital context for understanding the decisions, methods and processes adopted by the case companies. For example, Escada's Export Director proposed that his company's approach to trading within the British market was determined by the importance of the UK market to Escada, and suggested that "there is a clear link, a connection between the importance of a market and how you do business there"

The study identified three main reasons as to why the case companies continued to operate in the UK as follows :--

- market profitability;

- reputation of the British market;

- access to customer and competitor intelligence.

Each of these will now be explored in turn.

8.2.1 UK Market Profitability

Of the first dimension, that of market profitability, while the companies frequently referred to the high operating costs of the British market, they also acknowledged that UK net margins were higher than those of other foreign markets, and that the UK market contributed significantly to overall company profitability. As a representative from Diesel explained :-

Price-points within the UK are approximately 30-40% higher than in Italy and are higher than our other big market, the USA. Now, even with the high rental costs in the UK, with the volume business that we do there, it is probably our most profitable market in real terms. Because of that, we have changed our approach to the UK market to become a full subsidiary company so as to maximise opportunity.

Likewise, Lacoste's Export Director stated that in the past decade the British market had emerged as one of the most profitable for the company. Despite the high operating costs,

(attributed to high rental and labour costs), and increased price competition within the market, he observed that the British market was important to Lacoste on the basis that :-

The British market has an in-built safety net with the healthy margins that it can sustain. It is like an important financial source for the company. For that reason we manage things differently there. Perhaps not in terms of structure or entry method, but certainly in terms of attitude. How we operate has to be different there.

Naf Naf retrenched from the British market for one year and re-entered in 1997 with, what the company described as, a radically different product assortment, market positioning and management structure. By way of explaining the reasons for Naf Naf's exit, re-configuration, then prompt re-entry into the UK market, the Managing Director stated :-

The reason why we left the UK was it was not working for us financially but we knew that it should. So we left, re-looked at ourselves very closely and have now gone back in. Now we manage operations very differently. Decisions are made closer to the market. I don't think that you can have a standardised approach to international operations anymore.

With their recent entry into the countries of Eastern Europe, Max Mara, Escada and Lacoste identified the importance of their having financially stable and dependable markets such as the UK to reply upon for steady income . Developments within Eastern Europe were described as high risk and high cost primarily because the distribution infrastructures within these markets remain under-developed and consumer confidence is fragile. Consequently, the maintenance and protection of income from key markets, such as the UK, was described by one interviewee as crucial :--

Going into places like Poland takes a lot of money. The only way that you could consider going in is knowing that you have the secure income from other markets. For us, the UK is a key income market. So in parallel with Eastern expansion, we have had to look after the UK. That means protecting the brand with advertising more and investing in the business more than less profitable markets.

8.2.2 Reputation of the British Market

The case companies emphasised the international reputation of the British fashion sector and explained that having a UK retailing presence assisted in the development of an international fashion brand reputation. Participation in the UK attracted the attention of potential foreign partners who regard success levels in the British market as an indication of likely international appeal. Furthermore, representation within the UK, and particularly in the form of a flagship store in London, was identified as an important method of obtaining media coverage and editorial support Europe-wide, which was regarded as vital to the development of an international fashion brand. Max Mara's Marketing Director explained :-

London is the centre for the main fashion publications and since a very significant part of how you generate a fashion image and personality is based upon advertising and media coverage, you must have a UK retail representation. The leading journalists will not cover you if you have no store for them to report about. You have to operate in London to build an international brand.

Developing an international brand reputation through representation in the British market was not solely a concern of the designer companies. Lacoste, for example, readily acknowledged that they promoted their presence and success within the UK market to actual (and prospective) partner companies and wholesale customers as a means of assuring them of the brand's reputation and potential for success.

In view of the proposed relationship between British market participation and the creation of a brand with an international standing, Diesel's International Communications Department suggested that the most successful fashion retailers establish a dedicated Press Office in London, spend more on advertising and promotion in the UK than in most other markets and that the majority of retailers launch new ranges, advertising campaigns and trading formats in the British market so as to gain maximum European media and industry attention.

8.2.3 Competitor and Consumer Intelligence

With the increased number of foreign fashion retailers with stores in the UK, the British market has, according to Escada'a International Marketing Director, emerged as a "microcosm of international retailing, bringing together the overall business trends and the latest ideas among fashion retailers". This 'melting-pot' of retailing ideas and activities has made the UK an important point of reference for the companies, providing insights into the activities of their competitors within the British and other foreign markets.

Access to competitor information was especially important to Lacoste who took a particular interest in the strategies of the American fashion retailers, such as Tommy Hilfiger, Calvin Klein and Polo Ralph Lauren, within the UK. As well as an interest in the impact of these firm's activities upon Lacoste's business within Britain, the company were also keen to obtain an overview of the strategies adopted by the Americans as they entered, established and developed their businesses within the UK. This interest was explained by the Lacoste's Assistant Export Director :-

The Americans are not in France in a big way yet, but we know they are strong competition. Having access to what they are doing in England is a great asset for preparing for their entry into France and elsewhere.

This form of competitor monitoring was not restricted to the activities of British and other foreign companies. For example, Naf Naf explained how their monitoring of the UK trading activities of their arch-rivals Kookai and Morgan provided them with useful indicators of how both companies may subsequently behave in the home market of France. The opportunity to obtain accurate and timely competitor information was identified as a key benefit of operating within the British market and the Managing Director of Naf Naf's British operations suggested that her company's decision to form a subsidiary company in the UK was so that :-

Important competitor information could be communicated clearly straight back to the decision-makers in Paris. It is true that we look to Britain to find out what French retailers may do in France, because many develop and apply the strategy in England before applying it in France.

The British market was also identified as an important source of consumer information for the case companies, particularly in terms of the identification of new fashion trends and changes in buying behaviour. British fashion consumers were described as being particularly open to new fashion ideas, and were more experimental in their fashion buying than other European consumers. As a result of the British market's importance as a source of consumer information, Escada explained how they had engaged a London-based market research agency to feed consumer information back to their management in Britain and Germany. The significance of the UK market in terms of analysing competitor activity, forecasting consumer fashion trends, and testing new developments, and the resultant influence of these dimensions had upon the case companies' operating methods, is encapsulated in the comments made by an informant from Diesel's Marketing Department :-

As Britain has become more important and influential, we have had to find ways of recognising that importance through developing more open systems and structures and communication methods. For example, England was the first country to become a subsidiary market for Diesel, and was given more local power in recognition of its importance.

8.2.4 Significance of the UK Market - and the Internationalisation of Operations

These dimensions of the UK fashion retailing sector (i.e. high levels of profitability, market reputation, access to consumer and competitor intelligence) largely account for the significance of the British market to the case companies and partly explain why they continue to operate there. Perhaps more importantly for this study, these factors appear to have influenced the companies' respective approaches to the internationalisation of their operations into the British

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market, particularly in relation to the organisation of management structures, the management of decision-making, and their methods of brand development and support.

Within this context, the remainder of this chapter will consider the various dimensions and processes adopted by the case companies in respect of the management of their operations within the UK market. In particular, consideration will be given to whether, and how, their approach to the internationalisation of their operations within the British market has been influenced by their assessment of the relative importance of the UK market.

8.3 DEFINING THE PROCESS OF INTERNATIONALISING OPERATIONS.

As was identified in the chapters which reviewed the literature on international retailing, no previous study appears to have comprehensively defined or linked the elements and dimensions that contribute to the actual process of internationalising fashion retail operations. While not specific to fashion retailing, Hollander (1970) in his review of operationalising techniques adopted by internationalising retailers, emphasised the inter-dependencies that exist between and among such dimensions as management structures, arrangements for management decision-making, and the policies relevant to the management of merchandising, pricing, service and promotions.

Later studies have augmented Hollander's overview, and have recognised the significance of distribution planning, (Fernie, 1992); technology capability transfer (Conners, Samli and Kaynak, (1985); Ho and Sin, (1987)); and the effective establishment and management of the retailer brand within the foreign market, (Helfferich and Hinfelaar, 1995), to the process of internationalising retailer operations.

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As was detailed in Chapter Seven, the findings of the first research phase provided a focus and direction for the second research phase. The links between the first and second research phase are especially evident in relation to three specific dimensions. Firstly, in terms of the methods of establishing operations within the British market, it was noted that organic growth, followed by franchising, were the most commonly used entry methods. Implicit within these two entry methods are differing attitudes to the management of risk, costs and control, as well as the need to establish different management structures in order to co-ordinate and control operational activities within the British market. Consequently, within the context of the second research phase, it became apparent that a consideration of the nature and characteristics of the management structures within the home and the British market, (and especially how these structures varied according to the methods of market entry used), would be necessary and worthwhile.

Secondly, the first research phase identified that the general and specialist fashion companies in particular, adapt their market positioning in response to the competitive conditions within the British market. These adaptations imply a degree of decision-making autonomy within the British market and as such, for the second research phase, necessitated some consideration of the processes and issues surrounding the demarcation of decision-making between the home and British management groups.

Thirdly, the preliminary research indicated that success and failure within the British market is inextricably linked to the ability, or otherwise, of the internationalising fashion retailer to generate a distinct and coherent brand positioning, achieved through the effective management of distribution channels, marketing communications and product merchandising. Consequently, each of these dimensions was identified as being worthy of fuller consideration within the second research phase.

In summation, three research dimensions were identified as worthy of further exploration within the second research phase, and these were principally in terms of :-

• the nature and characteristics of management structures within the home and British markets, and a consideration of how these may vary according to the methods of market entry used;

• the processes and issues surrounding the demarcation of decision-making between the home and British management teams;

• the mechanisms by which a clearly defined and appealing brand identity is established and maintained, particularly with respect to distribution, merchandising and market communications activities.

The first research phase and the other published studies provided a useful guide for the second research phase. However, in order to verify, supplement and extend the dimensions previously indicated, a telephone request was made to each of the case companies who were asked to identify, in the broadest of terms, what they considered to be the principal dimensions and activities essential to the process of internationalising fashion retail operations. Informants responded by providing accounts of what they considered to be fundamental to the process of internationalising their operations within the British market. Max Mara provided a succinct introduction to the key elements and dimensions of that process :-

The actual process of internationalisation of operations is all about how management is structured and organised, at home and abroad. How you are going to control the stores. How are you going to support the market, distribute the product. Then what product, and how are you going to support the brand. These are the what it is all about.

Naf Naf observed that the process of internationalisation was concerned with more than just the activities of "opening shops, getting the stock in and promoting it to get the stock out", and suggested that the process of internationalisation was concerned with :-

management structure, the management of the brand, getting the right products and control over communications within the foreign market. It is a case of deciding the balance between autonomy and control over the foreign market.

Three of the seven case companies provided copies of their international operations manuals and these lengthy documents set out details of the elements integral to the process of opening and operating their retail outlets in foreign markets. Common to each of these manuals were sections which considered management structures and responsibilities, protocol and policies for brand positioning, as well as merchandise and distribution management.

Based upon the dimensions central to the process of internationalising operations identified by Hollander (1970), as well as from the other studies identified previously, and augmented by the experience and suggestions of the representatives of the case study companies, the following dimensions emerged as the principal dimensions of the process of internationalising fashion retail operations :--

- **management structures;**
- **demarcation of management decision-making;**
- **product ranging and development;**
- **brand positioning;**
- **distribution planning.**

Consequently, these provided a broad guide for the in-depth interviews and other methods of data collection employed in the second research phase. The five dimensions will be used as a structure for the reporting of the research results in the remainder of this chapter.

8. 4 MANAGEMENT STRUCTURES

In his review of the operating techniques adopted by internationalising retailers, Hollander, (1970), suggested that market entry methods and the nature of management structures are inextricably linked and that both factors have a direct bearing upon the nature and scope of management decision-making within a foreign market. Hollander maintained, for example, that those retailers that adopt organic methods of foreign market entry and development, predictably create structural hierarchies based upon functional specialisation that centralise strategic decision-making to the home market and limit local market decisions to operational matters.

The results of this study support Hollander's assertion of a clear relationship between market entry methods and the management structures adopted by the seven case companies, and also indicate that the nature and characteristics of these management structures alter, adapt and are refined over time. In terms of the configuration of the management structures adopted by the internationalising retailers, Max Mara's International Retail Director suggested that these form a predicted pattern :-

Always, there will be at least two-tiers of management. One based in the home market, in the Head Office. That will be more formal, the more developed. Then there will be a second tier, the management group in the foreign market. My experience has been that this structure is more simple, not as formal. But through time, certainly in the UK, that local structure will change.

In recognition of the two-tier management structures adopted by the case companies, the remainder of this section will consider :--

- the organisation of central management responsible for international operations;

- the organisation of local management structures;

- how local management structures in the UK have altered / adapted over time.

8.4.1 Central Management Structures.

Each of the case companies had dedicated departments or sections responsible for the management of international operations. These departments were all based within the companies' Domestic Head Quarters, and were headed by a Director, known either as the International Marketing Director, Export Director or Foreign Retail Operations Director.

Yet, while these departments were each headed by a senior member of staff, in personnel terms, they were manned by a relatively small number of people. For example, Max Mara, despite their operating within 85 markets, with over 220 company-owned stores, 400 franchise stores and 140 in-store concessions and 1500 wholesale accounts, had less that 30 staff employed in their International Department, while Diesel, with 78 stores in 16 countries, had 15 staff in their International Division in Italy. An explanation for the relatively small number of dedicated staff in these offices, was provided by Max Mara :-

International fashion retailers have global brands. Therefore, what occurs in the home market also happens in the foreign market. So the staff who do the product design, develop the advertising, develop the store interiors for the home market, do so for the foreign markets, too. The focus of our international department is not about creating, it is more about delivery.

Staff within these central departments were generally organised in a formal, hierarchical configuration and were clustered around four key activities :-- merchandising, retail marketing, finance and logistics. Figure 8.1, illustrates the structure of one of the case company's International Operations Department.
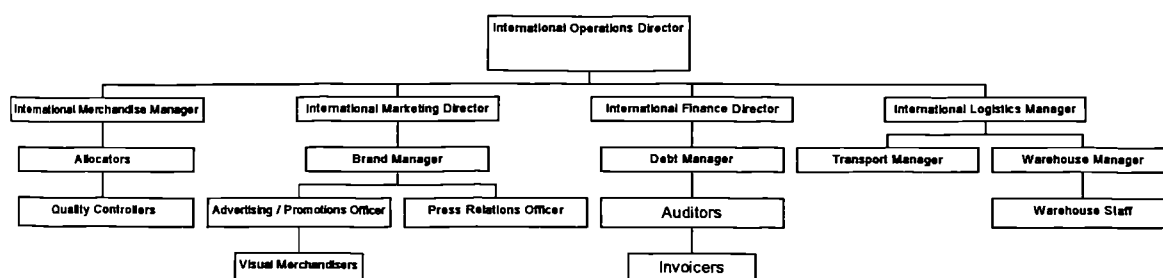
Figure 8.1 Management Structure of an International Operations Department.

In terms of the development of these centralised departments, Lacoste explained that the company have had an Export Department since the 1920's, but because of its longevity, no one was able to provide an overview of its origins and subsequent development. Diesel's International Department grew from the company's Buying and Merchandising Department, whereby merchandisers initially took responsibility for co-ordinating the company's export orders. However, when the company began to operate a sizeable number of outlets abroad "the pressure and problems of that required that we establish a dedicated department, with its own clear structure, so as to co-ordinate our markets and provide them with a good level of service" Escada's Assistant Export Director provided a useful summation as to why a dedicated International Department was necessary :-

Foreign markets have different needs from the home market and need specialist managers to deal with that. If we wanted the subsidiaries to manage in a professional manner, then it was important for us to manage in a professional, formal way. Having people with specific responsibilities helps to improve communications and the confidence of foreign partners.

While perhaps initially viewed as marginal departments, the influence and importance of these International Departments was expected to grow within each of the case companies as Naf Naf's Director explained :-

International markets are now the centre of what we are here. It does not make sense to think that we can somehow isolate the views and needs of foreign markets when we make our decisions. Now we think of the export and foreign operations side as being at the heart of Naf Naf. It is central to our decisions.

Yet, while the influence of the various International Departments was acknowledged and welcomed, staff within these International Divisions frequently expressed their frustration at the inability of other departments to take adequate account of the international context of their decision-making. This seeming disregard gave rise to considerable levels of conflict, particularly in relation to product design, distribution policy, merchandising, store interiors and communications strategy. These tensions are expressed by one Export Director who preferred to remain anonymous :-

Ours is now an international business. Over 50% of our sales. For that reason, international considerations ought to come first. But no. The designers will design what they want, with no regard for the international market. Finance decide upon margins, without thinking of the international market situation. The advertising side of things develops an idea but does not consider the international implications of whether the campaign will work abroad.

As a means of avoiding such tensions, Max Mara explained that the company had developed "a more integrated structure, where each department, such as buying, marketing and finance has staff responsible for foreign operations within each". The principal objective of this approach was to ensure that international considerations were represented in all corporate decision-making. Other respondents, in acknowledging the tensions that exist in respect of the relationship between their international departments and other functions, similarly identified the need to develop more integrative management structures, as is evident in the comments made by Jacadi's Export Director :-

Dedicated departments, which deal with international activity are justifiable, but the extent to which these are often marginalised and seen purely as transactional departments is not. We, as a company are working on how we can manage this level of specialised service, but in a way that is integrated with the business as a whole.

8.4.2 Local Management Structures

The management structures initially adopted within the British market were largely determined by the method of entry and operation used by the case companies and the extent to which corporate policy allowed for functional responsibilities to be devolved to the local market. Table 8.1 summarises the details of the various entry methods (as defined by Dawson, 1994) and the local management structures adopted by the case companies within the UK, and their operating formats at the time of the study.

Company	Entry Method	Partner Company in UK	Operating Format in the UK
Max Mara	Franchise Internal expansion	Bounveni Ltd	• company owned flagship • partner-owned stores, concessions and wholesale
Diesel	Internal expansion	None	• company owned flagship, stores, concessions and wholesale
Escada	Internal expansion	None	• company owned flagship, stores, concessions and wholesale
Naf Naf	Internal expansion	None	• company owned flagship, stores and wholesale
Kenzo	Internal expansion Wholesale agent	R and G Argy Ltd	• company owned flagships, • partner run concessions and wholesale
Lacoste	Franchise	Pentland Group	• partner owned flagship, stores and wholesale
Jacadi	Franchise	Alcadex Ltd	• partner owned flagship and stores

Table 8.1 :- Method of Management Organisation and Operation within the UK market.

As Table 8.1 illustrates, three types of entry / operating method were used by the companies. The first, adopted by Naf Naf, Diesel, and Escada, involved the formation of a UK subsidiary company responsible for managing retail operations and wholesale distribution within the British market. The second, adopted by Max Mara, Kenzo, Lacoste and Jacadi, saw the formation of partnership arrangements with independent British companies responsible for operating UK retail outlets and department store concessions and the distribution of the respective brand ranges to wholesale stockists. The third operating method, used by Max Mara and Kenzo, also involved the creation of 'flagship only' subsidiaries', which had the sole purpose of financing and managing both companies' London flagship stores. These operated independently of their arrangements with the partner companies.

In parallel with the three different entry and operating methods used by the case companies, the research also identified three differing forms of local management structure. The most formal, in terms of the demarcation of responsibilities and the establishment of prescribed reporting procedures, were the structures developed by Naf Naf, Diesel and Escada's subsidiary companies. Each had a UK-based Managing Director, and at least two other Directors responsible for functions including Marketing, Finance, Retail Operations and Merchandising. At Diesel, the subsidiary employed 90 staff within five divisions :- Retailing, Merchandising, Wholesaling, Finance and Marketing. Each was headed by a Divisional Director who each reported directly to the Managing Director, as is illustrated in Figure 8.2
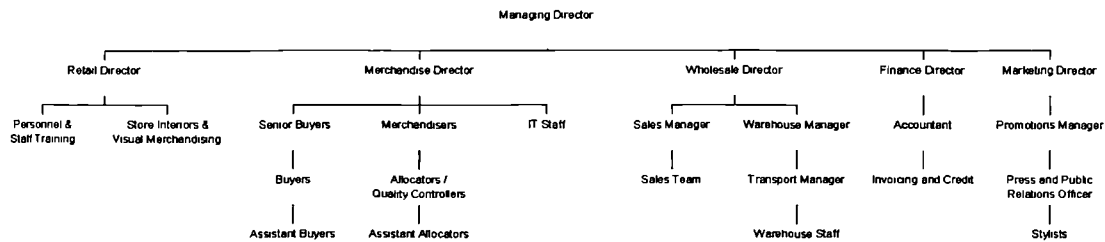
Figure 8.2 Organisational Chart of Diesel's UK Subsidiary Company.

The clearly defined division of responsibilities and the clear system of reporting and accountability was the result of a carefully defined strategy on the part of the company, as a Marketing Director of the UK subsidiary explained :--

The setting up of the subsidiary company was a mark of our commitment to the British market. We wanted to approach things in a professional manner. And with a target of a £20 million turnover, 300 stockist outlets, plus ten stand alone stores, we were talking about a fairly complex operation. To make it work effectively, the time had come for us to start again and put in place a solid management structure, with clear responsibilities, control and discipline.

Kenzo, Max Mara, Lacoste and Jacadi each formed distribution partnerships with British

companies who, in-turn, took responsibility for managing the wholesale distribution of the

respective brands and in some cases, managed the operation of retail outlets and department

store concessions, in the UK. Most of these have been long-term partnerships. For example,

Kenzo and R & G Argy have been partners for over fifteen years, while Max Mara established

their link with Bounveni Ltd in the early 1980's. For Max Mara, the development of a stable

relationship with their partner company has been central to their success in Britain :--

**Our British partner is a specialist in managing wholesale multi-accounts, they know the
stockists well. They are just sound retailers. So they run our stores. So we leave that side
of the business to them. But both sides share a common goal and that is to do the best for
Max Mara.**

Operating as limited companies, these firms, described by Max Mara and Kenzo as 'partner

companies', were headed by a Managing Director, employed teams of between fifteen and

twenty eight staff, and operated from a Head Office based in or near London. And as was the

case for the UK subsidiary companies, the partner companies had formal management

structures that clearly delineated the roles, responsibilities and the seniority of staff. However,

unlike the subsidiary companies, the responsibilities contained within that structure were more

narrowly defined. According to one UK partner, the internal organisation of their company,

with its emphasis upon store operations and wholesale distribution, highlighted a clear

demarcation of responsibilities between them and central management :-

**Our role is to make sure stores are run well and that the distribution of the product is
efficient and cost-effective. Management in Paris deal with the design, the manufacturing,
the advertising. We focus on selling, the operational elements. It is a division of labour
really. That is why we employ a relatively small number of people. We focus on our
specialities.**

That specialisation is evident in the management structure adopted by one of the case

companies, and which is illustrated in Figure 8.3 For reasons of confidentiality, the Managing

Director of the UK subsidiary required that the identity of the company should not be disclosed in the reporting of that structure.

International Operations Director
|
Managing Director
UK Partner Company

| Retail Director | Wholesale Director | Finance Director |
| Regional Manager | Account Manager | Merchandiser |

Display / Promotions Manager   Area Manager   Account Executives   Allocators   Financial Controllers

Store Managers

Figure 8.3 :- Management Structure of UK Partner Company.

As Figure 8.3 illustrates, the partner company's structure was clustered around three functions:- retailing, wholesaling and finance. The Managing Director justified this focus on the basis that "it is our primary responsiblity to distribute, sell and get the money in for the brand". And while the company was, in legal terms, wholly independent of their foreign partner, he acknowledged that he had to report directly to the International Operations Director :--

In our dealings, we operate just like a subsidiary. I have to report my figures in to the International Operations Director. The Finance Director has to explain if margin is not achieved. The Retail Director has to explain why she wants to put new lights in the stores. We are fully accountable to them.

Representatives of the other partner companies also declared a similar level of 'involvement' by their International Operations Directors, and acknowledged the considerable influence of foreign management upon their decision-making. Indeed, the Managing Director of one of the partner companies stated that the "distinction between management structures has evaporated. We are regarded as the unofficial British management arm".

8.4.2(iii) Management Structure of UK 'Flagship-only' Subsidiaries

The third 'type' of management structure identified existed within the 'flagship-only' subsidiaries operated by Max Mara and Kenzo. While their British partner companies managed the retail outlets, department store concessions and wholesale accounts, Max Mara and Kenzo directly operated, quite separately, wholly-owned subsidiary companies. These subsidiaries were established solely to finance and manage the companies' London flagship stores. Kenzo's International Marketing Director explained that the company felt that London flagship stores would contribute significantly to the development of Kenzo's reputation as an international fashion brand, but found that their British partner company did not have the financial resources to support the very high rental costs of London's prime fashion locations. Therefore, the company decided to form a wholly-owned subsidiary, as he explained :-

We needed to open and self-finance flagship stores in London. But British law required that we have to operate a subsidiary in order to trade and invest directly in the UK. So we set-up the flagship subsidiary which is only concerned with the two London stores. Period. It runs in parallel with our partnership with R and G Argy, but it is totally independent of it. They have nothing to do with each other administratively or in terms of management.

In accordance with British company law, both subsidiaries had a Managing Director and Company Secretary, operated a registered office but employed no more than twelve members of staff between them. (Staff employed to work in the flagship stores were also employed directly by the subsidiary companies but these are not included in this figure).

By virtue of the relatively small number of people employed by the 'flagship-only' subsidiaries, and their limited remit, no clearly defined management structure was established by either company. Max Mara stated that while the Managing Director was ultimately responsible for the subsidiary, the company had a very "hands-on, flexible and flat structure. There is no sense of hierarchy. Not with a small number of staff". Likewise, Kenzo's International Marketing Director suggested that their subsidiary operated a "very simple, overseeing, caretaker-sort of structure".

8.4.3 The Development of Local Management Structures

In the majority of cases, the operating methods and, therefore, the local management structures adopted by the foreign entrants, have changed over time. From the descriptions provided by the case companies, a three stage pattern of development can be identified which broadly reflects the way in which their management structures and methods of organisation have evolved within the British market. The three stages of development are illustrated in Figure 8.4

Stage 1   **Enter via a wholesale arrangement with a multi-brand distributor.**

Stage 2   **Form a partnership with an exclusive single brand distributor**

Depending upon the success / resource availability of the relationship established in Stage 2 either :-

or

Exit (Jacadi)   **Continue with relationship (Lacoste)**

Stage 3

Suspend partner relationship & establish a wholly owned subsidiary company in the UK (Diesel, Naf Naf, Escada)

Develop flagship subsidiary alongside dedicated partner (Max Mara, Kenzo)

Figure 8.4 :- Three Stages of Development in UK Management Organisation.

8.4.3. (i) Stage 1

Each company first entered the British market through wholesale agreements with multi-brand agents responsible for the distribution of a number of fashion brands, many of them foreign,

within the UK. At the core of these wholesale agreements was the provision of exclusive British distribution rights to the multi-brand agent normally for a period of between one and three years. Max Mara explained that these arrangements were a cost-effective way of gaining market intelligence and developing a customer franchise with little associated risk. The multi-brand agents typically assigned one person to act as a contact between the foreign company and their own sales representatives who promoted the brand to retail stockists. In terms of the internal structure of these companies, one Export Director explained :--

I'd say that for many of these agents, to call it a management structure is stretching things. It is really all about sub-contracting. The agent's sales team took the orders from the retailers, and then place the order with us, and then pay us. The goods are then delivered to a warehouse operated by a third party and then delivered to stores by a different third party distributor. With all these layers, a subsidiary was needed.

8.4.3 (ii) Stage 2

Within a period of no more than three years, each company had moved to a second stage of development which involved the formation of an exclusive wholesale partnership with some other British agent, although in Max Mara's case, that company had previously been their multi-brand distributor. Exclusive distribution rights were offered to these new partners, and for longer contract periods, in return for exclusive representation in the British market by the agents. Described by informants as "dedicated agents", this was motivated by the desire to have an enlarged and dedicated local management team able to concentrate energy and resources into the development of the foreign fashion entrant's brand in the UK without the distraction of having to represent other, often competing, brands as well. These agreements soon extended beyond that of wholesale distribution, to include the operation, by the dedicated agent, of in-store concessions and stand-alone stores using the foreign entrants' name and trading formula.

In terms of management structures, the movement towards exclusive wholesale partnerships was characterised by :--

- a relative increase in the number employed to represent the brands;

- a formalisation of management structures as evidenced in reporting and communications channels;

- the development of formal reporting links between local and central management;

- the establishment of a co-ordinating Head Office in the UK.

8.4.3 (iii) Stage 3

Despite their high expectations of success from these arrangements, Escada, Naf Naf and Diesel, explained that their relationships with their dedicated UK partners had failed. That failure was attributed to a variety of factors, most notable of which was the dedicated agents inability to put in place adequate and appropriate management control structures. Typically, these agents failed to employ experienced personnel with the result that the case companies complained that their businesses had suffered from what one respondent described as :-

a cut price management structure with three people trying to do the work of ten, and one manager not knowing what the other one was up to. And as for accountability, monitoring and the division of responsibilities, that was just non-existent with our first dedicated agent.

With the problem of being allied to ineffective agents without the financial resources or management expertise to develop the full potential of both businesses within the UK, Naf Naf and Diesel decided to exit from the UK by dissolving their agreements but with a view to re-entering at a later date. Diesel re-entered the UK in 1995, after a period of approximately sixteen months, and Naf Naf did likewise in 1997, after a one year absence. Having abandoned their partner companies on their return, both established wholly-owned subsidiary companies, with full responsibility for managing all forms of distribution within Britain. Naf Naf's UK Managing Director, while acknowledging the high costs associated with establishing a subsidiary company, defended the move on the following grounds:-

We needed to put in place a clear, professional management structure, where responsibilities were set-out. The subsidiary put control back in our hands and it allowed us to do all the things that we wanted. There were other reasons, such as us now having the financial capability. But the desire to establish a competent management structure was an important one.

The decision to establish the first fully-owed subsidiary in the UK was motivated not only by their recognition of the importance of the British market, but was also a result of a changed attitude towards the management of foreign markets on the part of Diesel's central management, as the company explained :--

Britain is a key market for us. We needed to put in place a more formal and professional management structure to make things work. At the same time, the company was trying to gain a clearer hold and more control over the activities within key markets. Forming a subsidiary structure was one way of achieving that.

Finally, as was identified in Section 8.4.2(iii), Kenzo or Max Mara's UK 'flagship-only' subsidiaries operated without a clearly defined management structure and this was justified by the fact that few were directly employed by the subsidiary, and its focus was confined solely to the overseeing of the London flagship stores. However, Max Mara's Marketing Director predicted that with the opening of more flagship stores to promote the company's diffusion lines and the possibility of other flagship stores being opened within other major UK cities, the time would come when the management structures of these specialised subsidiaries would need to be revised :--

Further flagship stores will mean more complexity and will need a different management approach. We will need to set-up the various departments and systems. As international markets develop you see a clear pattern in development. Formalisation. Division of responsibilities. Procedures start to emerge.

In a similar vein, the Managing Director of Naf Naf's British subsidiary suggested that the development of internal management structures within foreign markets provided useful insights into the on-going process of international involvement :-

Looking at how we have tried to enhance and improve our management approach in England shows how as a business we have become more confident and sure of our international standing. The development of a management structure and strategy shows our maturity and sense of confidence. This gives us success.

8.5   DEMARCATION OF MANAGEMENT DECISION-MAKING

The second of the dimensions identified in Section 8.3 as being central to the process of internationalising fashion retailer operations was the demarcation of management decision-making. It is in the consideration of this dimension that the significance and influence of market entry choice is most apparent. Following from Hollander (1970), and evidenced in Section 8.4, the form of market entry adopted by the internationalising case companies clearly influenced the nature and form of management structures established within the British market, and these, in turn, largely determined the location and organisation of their management decision-making. The relationship between management structure and the nature of management decision-making within the case companies will be considered in this section.

Discussions related to the nature and organisation of management decision-making proved complex, and at times difficult, for the representatives from the case companies to define and describe. Indeed, Naf Naf's Retail Director suggested that "decision-making was far easier to do than explain". However, Kenzo's Marketing Director had clear views on the location and demarcation of decision-making within international fashion companies :-

Strategic decision-making must always reside at the Head Office. Decision-making can be extended to the local market, and it is good to do that. But local decision-making is usually confined to marginal matters.

The study recognised that the management of decision-making was a highly contentious aspect of the internationalisation of operations, and is the source of considerable tension between

central and local management. It was described by Max Mara's Marketing Director, "as the headache of internationalisation", while a representative from Diesel's Export Department explained that "everyone wants to make the decisions - but the fact is, decision-making can never be democratic".

A useful summation of the key dimensions associated with the management of decision-making was provided by Lacoste's Assistant Export Director, who said :-

Examining the demarcation of decision-making is central to international strategy. It is about power. It is also a source of conflict between managers. Some companies use punishments and censure to control decision-making. While I do not think that these tensions can ever be totally resolved, international retailers have got to find mature ways of sharing decision-making.

As such, the remainder of this section, which will examine :-

- the demarcation of decision-making responsibilities between local and central management,

- the areas of decision-making conflict,

- the role that sanctions play within the context of inter-management conflict;

- the processes of conflict resolution adopted by the case companies.

8.5.1 The Demarcation of Management Decision-Making.

The demarcation of responsibilities between the central and local management for all of the case companies was broadly on the basis of central management being responsible for what were described as 'strategic matters', and local management for operational, day-to-day issues. Kenzo's Managing Director suggested that central management made decisions "always about creating the brand and local management always about selling it". At Escada's Head Office in Munich, one of the company's Marketing Managers stated that :-

Our role in Munich is to make decisions relating to the formula, the blue-print of Escada. And we can do that best because we have a world-wide view of the brand across markets. The local managers have the role of putting the plan into action. Everything is operationalised there.

Referring to the International Operations Manual of one of the companies, Figure 8.5 represents their attempt to link the management structures of the company with various 'levels of management decision-making, roles and responsibilities'.

Head Office Management	Local Management
All aspects of Product Development	Development and implementation of local market growth strategy
All aspects of Brand Development	Identification of new business, in the form of store openings, and third party relationships
All Mass Marketing Communications	Stock allocation, distribution and management within the market
Supplier Relationships	Local market performance monitoring
Development of Store Formats and Identity	Implementation of local advertising strategy
International Market Development	Press and Public Relations Management
International Media Relations	Local market information gathering and report back to Head Office
Approval of local market strategy	Staff related matters and issues
Approval of local market budgets	Adherence to all legal and fiscal requirements
Approval of local market senior management appointments	Protection and management of all company assets
Invoicing and payment collection from principal foreign partner	Effective communication with Head Office
Performance Monitoring within local market	Effective implementation of all Head Office directives
Approval of local market investments	Maximise all opportunities within the market

Figure 8.5 :- Demarcation of Central and Local Management Responsibilities.

8.5.1. (i) Subsidiary Company Decision-Making

The senior management of the subsidiary companies, while frustrated by the restrictions imposed on them by central management, did enjoy a number of key decision-making responsibilities. These ranged from the management of a portfolio of property assets, the full control over national distribution centres serving as many as 300 retail customers across the UK, and advertising budgets of £600,000 per season.

Reflecting upon the nature of decision-making demarcation, Diesel's Marketing Director identified two levels of strategic decision. The first was defined as 'international strategic

decisions', and these were concerned with the development of a global brand image, fashion ranges and market development, such as new market entry. The second level, described as 'local strategic decisions', focus upon the strategic development of the local market and are concerned with market growth in the form of store openings, the development of local marketing communication strategies, the management of information technology and local logistics policy. Diesel claimed that their UK subsidiary took full responsibility for these local strategic decisions :-

The UK management, unlike perhaps any other market, take control of local business. They manage their own strategy. And while they have to work within our overall brand strategy, and we require them to present their strategy to us every year, we do give them a lot of freedom, and do allow them to take control of their own market, with their own strategy.

The management of Diesel's British subsidiary acknowledged that the 'parent' company encouraged them to develop and implement a local marketing strategy and that they were given significant levels of freedom in areas such as store interiors, pricing, advertising and promotion, and market development strategy. The UK Marketing Director suggested that other fashion companies would have :-

forced a store opening strategy, a distribution policy, a pricing strategy, regardless of what we thought. But we have a clear idea of how we want to position Diesel in Britain and Italy have allowed us to manage that strategy without breathing down our necks. This is because they believe us to be the experts on the local market.

The Managing Director of Naf Naf's UK subsidiary argued that a degree of centralised decision-making was inevitable since "at the heart of every successful international fashion brand there is a clear brand identity that requires centralised control and protection". However, she also made the point that "in order to make the brand work at local level, local management need to be able to make local tactical decisions". In the case of Naf Naf's UK subsidiary, the company also recognised that the decisions delegated to UK management went beyond the purely operational since local management were given the responsibility of developing the strategy for positioning the company at the time of their re-entry to the British market. For

example, the UK management were given full control over the location, design and merchandising for the two stand-alone stores in London, their UK pricing policy, the local distribution and promotional strategies, as well as the opening of the company's wholesale showrooms.

8.5.1. (ii) 'Flagship-only' Subsidiary Company Decision-Making

Perhaps to be anticipated because of their designer company status, the decision-making power enjoyed by the 'flagship-only' subsidiaries, operated by Max Mara and Kenzo, was very much more restricted. Max Mara argued that because their subsidiary was responsible for operating a small number of flagship stores with a highly standardised merchandising and operating format, there was little need for any further delegation of decision-making power :--

If anything, flagship stores are untouchable. They must be completely standardised. We cannot let anything be changed or altered. They are sacred. The management are there to decide on day-to-day matters only.

8.5.1 (iii) Partner Company Decision-Making

Regardless of the type of fashion retailer, the management of the British partner companies were excluded from the majority of strategic decisions, and were limited to making decisions on purely operational matters. For example, Lacoste's Assistant Export Director explained the demarcation as follows :--

We make all the brand decisions, the format decision in Paris. In England, the management focus upon the day-to-day decisions like administration and staffing. But perhaps these are not really decisions, since the decisions have been made before.

These various checks and restrictions on local decision-making power did not necessarily aggravate or frustrate the British partner company. For example, Lacoste argued that these controls were to be expected in a relationship with a globally successful brand :-

On signing with a strong, long-established and successful company like Lacoste you know that you are not going to get the flexibility in changing things in your market. You give up the right to make big decisions. But the team in Paris are very in tune with the UK market. They are always thinking about it.

However, regardless of the trading arrangement, it was also the case that the demarcation of decision-making responsibility within the case-companies was complex and the source of considerable conflict between local and central management. A useful summation of the nature of that conflict is provided by one respondent:-

Internationalisation is essentially about control and conflict, especially when in comes to making decisions. Globalisation demands a homogenous image, but to be competitive requires local change sometimes. These are contradictions, tensions arise and so rules are made and they are often broken.

8.5.2 Areas of Decision-Making Conflict.

A consideration of the nature of the conflict between internationalising retailers and subsidiaries and trading partners provides important insights into the practice of decision-making and control within the case companies. This section will examine the key areas of conflict identified, firstly by the case companies' central management, and then by British management. In view of the sensitive nature of this information, and primarily to protect the British managers from what one Director described as "the wrath of Head Office", it was agreed that the identity of all respondents would remain anonymous throughout the reporting of this section.

8.5.2(i) Decision-Making Conflict - Central Management Perspective

Central Management identified two broad categories of decision-making conflict which they felt to be particularly acute in their relationships with British management. The first category was described by one Operations Manager as "strategy non-compliance"; the other as "unauthorised decision-making" by a second respondent.

8.5.2 i (a) Strategy Non-Compliance

Strategy non-compliance referred to situations where British management "failed to comply or implement strategic plans for the market - ignoring our orders, to put it another way" In particular, British management were accused of failing to fully implement positioning strategies that had been previously decided and mutually agreed. This form of non-compliance was more fully explained by an International Communications Director :-

We need full compliance with our strategy but the British subsidiary argue over what we do. We have a clear direction of how we want the business to develop in the UK. We decide the range, merchandising, all the things for positioning. But they do their own thing. They argue for different ranges and advertising, and different prices. Their only justification is that the market is different in the UK so things must be done differently.

Further complaints were made that British managers were the most likely to challenge merchandise range decisions and allocations, and that they often refused to implement corporate strategies for merchandising, pricing and advertising. Several examples were given of how these debates became confrontational, with one Director telling of how product selection meetings could result in a "few bad words and bad punches flying". By way of explaining why British managers tried to resist having to comply with strategies, an Export Director with considerable experience of these situations suggested :--

I think it is a cultural thing. British managers always think that we are foreign and cannot really understand the British market. They always think that they know better than us. I think that deep down they cannot accept that they are not their own boss. Its a very British thing.

Likewise, it was also suggested that "it is a very British excuse to say that the UK is so different to justify not doing as they are told and that the importance of the British market necessitates revised strategy. They do not want to be told by foreigners" And while acknowledging that there were differences inherent to the British market, the Managing Director who made these observations, argued that his management team were capable of accommodating market differences when making strategic decisions. He also suggested that

British managers perceived that their decisions were of no legitimate interest to central management :-

British management seem to think that strategic decisions are only about growth :-meeting the targets, opening the agreed number of stores and getting the finances right. But that is only an indicator of strategy - the actual strategy is concerned with positioning. And all those decisions on pricing, ranging and promotion. They always want to make these decisions on their own and do not consider the strategic impact.

Reflecting further upon the non-compliance of strategic plans by their UK management, it was suggested by respondents that British market success had encouraged "over-confidence", "a desire for independence" and "killed the sense of co-operation" among British managers. Indeed, one company suggested that market success had served to undermine the value of centralised control over local decision-making :--

Achieving success can be your downfall. Success breeds confidence. We are very successful within the UK. That is the major reason why we have resistance to centralised decision-making, centralised strategies. That is the tension - you centralise to get things right, success comes, then there is the desire to free-up decisions. Local managers often fail to remember that it was our decisions, not theirs, that brought success in the first place.

8.5.2 i (b) Unauthorised Decision-Making

The second form of conflict identified by the central management was that of "unauthorised decision-making" which involved the making, and in certain situations, the implementation of strategic decisions at local level without the prior knowledge of central management. British managers were accused of developing strategies, without the prior permission of central management. However, in a minority of cases, before implementing these, the British managers did present their strategy proposals to central management for approval, revisions and possible implementation. This behaviour, while not condoned by central management, was not always condemned by them either, as is evidenced in the comments of one Marketing Director :-

Personally, I think that is a good sign when the local management come-up with their own strategies for growing and improving the business. Provided that they tell us, and allow our input and get our go-ahead. It shows initiative. But they have also got to realise and accept that something may seem a good idea for the UK, but taking the overall view, it may be bad for the company.

However, in most cases, these 'unauthorised decisions' were instigated and implemented without the prior knowledge and consent of central management. These decisions included the development of separate product ranges for the UK market, the implementation of different merchandising and stock control methods, as well as the creation of a UK-specific advertising and promotions campaign. One company described how their UK subsidiary had sacked a senior director without the permission of the central management, while on another occasion, the subsidiary revised UK prices without prior consultation.

Typically, however, the unauthorised decisions made by the management of subsidiary companies were tactical in nature, (such as in relation to the timing of sales or altering levels of staff discount). Nevertheless, this did not mean that these were treated as trivial transgressions by central management, as is evidenced in the comments made by a Buying Director :-

These may seem unimportant matters, but they are actually key decisions. Sometimes we think that strategy has to do with grand plans, but strategy is in the small details. These are no more than attempts to short-circuit and undermine our power to make decisions. To control the operation. That is very serious, much more so than the actual action or event. These are things that destroy brands, destroy relationships.

The management of the partner companies in particular were more likely to make unauthorised decisions in areas of arguably greater importance. For example, one company described how their previous UK franchise partner had recruited wholesale stockists and franchisees to facilitate the company's entry into the Republic of Ireland without prior authorisation, while another former partner company closed stores and concessions without consultation or

permission. By way of explaining why partner companies make decisions of such importance

without prior agreement and support, one Market Development Manager suggested :-

It does not matter how clearly you set the rules down over who decides what, the fact remains that our partner was very accomplished and entrepreneurial. Added to that, they have a lot of their own money tied to the business. They feet that this gave them the right to do things their own way. Often their ideas are good, but that is not how you operate an international fashion company. Success comes from standardisation and centralisation. Not doing your own thing locally.

Furthermore, as was identified in Section 8.2, the respondents recognised that since the British

market was such an important one, they had made unique concessions to British management

in respect of the allocation of decision-making power, often against their better judgement. One

Director explained :--

England is important, vital to us. But getting the balance between giving the market power and keeping a lid on it is very difficult. I do not know how to resolve the need for local involvement, local responses, while still keeping full control.

Two of the case companies suggested that because their company had made particular

concessions to allow British subsidiaries to make their own decisions on matters of local

advertising and promotion, and pricing, these managers had developed an appetite for devolved

decision-making :-

Because the British market is a strong market for us, and the British management team are very professional, we allowed them to make their own decisions on key issues. That just opened the door, and they kept pushing and pushing for more power. Because we had not given any other market such freedom, I think that we just do not know how to manage the situation.

8.5.2. (ii) Decision-Making Conflict - The UK Management Perspective.

As has been recorded previously, the British management of the subsidiary and partner

companies were in full agreement that strategic decision-making ought to be the responsibility

of central management. However, the majority also felt that as key stake-holders, they should

have at least some input to the process of strategic decision-making, not least because the

nature and characteristics of the British market "required flexibility and some adaptation to

make it work". And while acknowledging that certain aspects of decision-making had been

devolved to their own management team, the Managing Director of one of the subsidiary

companies maintained that these powers were subject to "continual scrutiny, are challenged and

sometimes over-ruled by Head Office". Inevitably, this situation served as a source of

particular tension between both management groups, and according to the same Managing

Director, two key issues were at the heart of these disputes :-

It is necessary to share decisions, but the first problem is that it is impossible to get agreement on who does what. There are constant disputes over decision-making territory. The second problem is that Head Office management never see things the way you do. There is a perception disagreement. We know the market, we perceive clearly where the UK business should go. But no, they talk global, but forget that success comes from the local.

The reflections of other British management similarly identified the problems of "decision-

making territory" and "perception disagreement", and these are explored in greater detail

below.

8.5.2 ii (a) Disputes over Decision-Making Territory

The research identified many examples of disputes arising from issues of decision-making

territory. As Section 8.2 identified, some of the internationalising retailers had explicitly

outlined in their company manuals the role and responsibilities of central and local

management, along with their respective decision-making powers. One Managing Director of a

subsidiary company described how "decision boundaries" had been drawn-up within his

organisation as a means of avoiding constant disputes, and that these had been formalised in a

document signed by both 'sides'. This agreement however, proved to be ineffective :-

We were told we could make decisions, such as planning our own public relations events. We did not have to inform senior management. But as soon as they heard that we had organised an event, we were told to cancel. No reason was ever given as to why.

Other disputes were more costly and arguably more serious. One partner company explained

how they had been given permission to source products exclusively for their own market, using

a "very tight design brief" approved by the company's design team. Having committed £25,000

to this product development, the UK partner company was told to withdraw the range since

partner companies in other markets had complained that the British market appeared to enjoy

preferential treatment. The development costs had to be borne in full by the partner company

who subsequently sold the goods to another retail group "at a loss of £7000 for the disallowed

goods and ten times that amount from lost market opportunity"

The negative and jealous reactions of other foreign partners to the devolvement of power to

British partners was found to be a primary reason as to why the devolvement of responsibilities

in favour of UK management typically failed. The Marketing Director of a UK subsidiary

stated that his company sought to treat all subsidiaries as equals, "without recognising that

markets are not equal, certainly not when it comes to achieving success".

Perhaps, more fundamentally, the problems associated with "decision-making territories" were

linked to questions of interpretation and semantics. For example, one subsidiary company

explained how they believed they had permission to develop their own promotional campaign

within the UK, only to find after having carefully planned what they claimed was "an

innovative and expensive campaign", that their independence extended only to campaigns

aimed at trade (i.e. wholesale) customers.   The firm's Marketing Manager gave his

interpretation of these events :-

In retrospect, I know that they gave us permission without thinking through the implications. This was really the thin end of the wedge. To give us this power would mean anything could now happen. Immediately, the shutters came down. This could not happen.

The problem of identifying the boundaries of decision-making was found to extend to a variety

of areas, including the development of operating policies, the recruitment of company directors

and the opening of new stores. Within this context, one British Managing Director described

how there was :-

constant debate within the company over what we can decide at any time. It seems to change with the weather. Much of it depends upon the personality of the Director and the level of freedom that they will permit. There is no science to it, far less reason.

British managers identified further inconsistencies in the demarcation of decision-making power. For example, one explained how they were given complete responsibility for all aspects of financial management in the business, and had autonomy in determining the number and location of store openings, but had to get the permission of their Head Office management in order to change their store opening times. According to this Director, this brought about unnecessary tensions since the UK management had to "constantly ask - Can we do this?, and in so doing, end-up making issues where none needed to exist".

8.5. 2 ii (b) Perception Disagreements

A second 'conflict category' was described by one British Director as having stemmed from "opposing and colliding views of the world, the business, and the brand" Local managers complained that their foreign partners often misjudged the positioning and reputation of their business within the UK. One Director complained that his company over-estimated the exclusivity and quality perceptions that British customers had of their company. The consequences of that was :-

price points were too high, distribution too restricted, and customer dissatisfaction with quality has now increased because of these factors. Really, by over-estimating the brand, the company did not reach its full potential in the market. Only after many battles did they come to realise their error.

Other than perceptual differences in relation to brand positioning, the research also identified conflict in respect of central and local management's understanding of British customer's behaviour and preferences, as well as the competitive nature of the British fashion sector. The implications of these differences in perception were felt to be significant by British managers in that these provided, what one Director described as, "the wrong platform for making key

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decisions which directly affect performance within the market". Furthermore, he claimed that because of central management's failure to recognise the high levels of price competition within the British fashion sector, the company have consistently failed to sanction the necessary price adjustments required in order to ensure their competitiveness. As a result, he argued that "sales have been made unnecessarily difficult because of their poor grasp of the reality of our market".

The UK Retail Director of a subsidiary explained how he had been engaged in a "long and exhausting debate with Head Office over the need to incorporate more exciting designs in the range but not in yellow colours. They think that British customers equate innovation with yellow" The Director suggested that the central design team's lack of an understanding of British fashion preferences and their refusal to take the advice of British management meant that the company was "achieving less than its true potential in the UK, which is very frustrating for us"

This lack of understanding of the possibilities of the UK fashion sector meant that another company consistently under-priced their ranges within the market. In order to overcome the restrictions imposed from abroad, the partner company (engaging in what central management would perceive as unauthorised decision-making), raised the UK retail prices without consent. The Retail Director justified this action on the basis that his fellow directors were angered and frustrated by the intransigence of their central management and that they had had to act illicitly since "the centre would never agree, partly because they are so stubborn - They control all decisions with an iron fist rather than grasping opportunities". As a result of the margin rise, the Director claimed that profitability within the UK had risen significantly and as a result, the parent company had "the courage to increase margin with their other markets, even their home market"

8.5.3 Sanctions used against British Management

From an analysis of the research findings, a variety of approaches were used by the internationalising companies as a means of punishing unauthorised decision-making and strategy non-compliance. Reflecting upon these sanctions and punishments, one foreign Director suggested :-

In reality, sanctions do not resolve disputes. They are more about one side re-asserting their authority over the other. They are about us feeling better. But, I know in my heart that they do not make the problem go away.

Some of the sanctions adopted included the complete severing of relations with partner companies or the removal of directors from the subsidiary company. The decision to sever relations with a UK partner arose after what was described as a "protracted period of conflict, argument and as a result, poor performance". It was explained that such drastic action was necessary since rebukes for strategy non-compliance were constantly ignored. The dismissal of senior management from one of the subsidiaries occurred because of their "consistent refusal to do as they were told by us". These dismissals were used as a signal to the management of all subsidiary and partner companies that "we make the decisions, we hold power and that is not open to debate". Less extreme sanctions were also used, including the use of verbal and written reprimands, the administering of financial penalties and the withdrawal of financial support for promotional activity.

From the British management's perspective, the use of punishments and sanctions was regarded as having no place in mature business relationships. According to one General Manager "sanctions are an abuse of power, and not the way to resolve a problem where one obviously exists". Likewise, other respondents felt that sanctions were counter-productive and served to create "even bigger gulfs between international partners," and that their role and purpose was "always to make you look weak and them look strong". One company, who admitted that they had suffered sanctions, (the reasons and details of which they refused to

provide), suggested that tensions, conflicts and sanctions must be accepted as a fact of internationalisation. Their Retail Director explained :-

Fashion is about brands. It requires regularity, uniformity. That comes as a result of having tight and centralised control on decision-making. But when you take the brand abroad, you need adjustments to suit local markets. The brand cannot risk too many unmanaged adjustments. Local managers push, perhaps too far. We do need kept in line.

8.5.4 Conflict Resolution.

As has been identified, the use of sanctions was regarded as an extreme and generally ineffective means of resolving decision-making conflict. On rare occasions, conflict resolution was achieved through the dissolution of relationships with partner companies. However, respondents maintained that in the majority of cases, both sides generally seek to adopt more constructive methods of resolving inter-management conflict and typically these involved the development of more collaborative methods of decision-making, the workings of which were explained by an Export Director :-

We have not given up our executive powers, or changed the rules on who can decide what. The place of decisions has not changed. But what we have done is bring managers, particularly from the UK, in to make the decisions with us. Bringing them to Head Office, they soon see the complexity, the implications of decision-making and that makes them less obsessed about their own market. Involvement helps them, and us. We still make the final decisions, but they are more clear on how we got there.

Some of the other companies also described how they had sought to include the management of their British partner company when making strategic decisions affecting their territory. Indeed all of the companies now claimed to involve managers from their principal markets, including the UK, in the process of guiding the direction of product design for future seasons, product allocation, and the development of global advertising and promotional plans. Interestingly, for each of the case companies, this form of local management involvement was a recent development, (within the past five years or so), and these changes were motivated by the need to respond to increased market competition and were a response to low levels of morale among

local management who previously felt, according to one British Buying Director, "disenfranchised and powerless".

One Marketing Director explained that as an initiative to increase the involvement of local management in corporate decision-making, representatives of the partner companies within their most important markets, were invited "to advise, develop and decide upon our global advertising campaigns and product development initiatives". It was his contention that rather than there being an increased devolvement of strategic decision-making within the company, the future would bring more collaborative decision-making, with "local managers coming more to the centre of things and joining with Head Office management to make the strategic and operational decisions on the future of the business".

The movement towards more collaborative decision-making based at the centre (i.e. the Head Office), was evident within each of the case companies, either in respect of specific projects, or as an on-going approach to management decision-making. A Retail Director made the following prediction in respect of the direction of decision-making within her own and other international fashion companies: -

Collaborative decision-making, that is managed by the parent company but which involves the ideas and inputs of managers from foreign markets, is essential. It gives the best of strong control but also allows for involvement, participation, as well as the energy and ideas of local managers.

The majority of British managers, particularly from the subsidiary companies, while welcoming these initiatives maintained that collaborative decision-making would extended only to non-contentious areas, and that strategic decision-making would never be shared. Indeed, one Director suggested that an increase in the centralisation of decision-making was inevitable, but was not necessarily the best way in which to manage their business :- -

Centralisation will continue in this company, and in many ways it will continue unchallenged. The future may allow for some token participation, but only for safe areas.

The nature of the beast is that internationally branding, because that is what this form of retailing is about, does not have the flexibility to take account of local differences. For as soon as it does, it ceases to be a global brand.

The issue of more collaborative forms of decision-making within the case companies will be explored further in Section 8.6.2 which considers British management involvement in the process of product design and development. To conclude this section, a comment made by one respondent provides an interesting prediction of the way in which decision-making will be managed by international fashion companies in the future :--

International fashion retailers will have more inclusive decision-making. Improvements in information and communication systems will facilitate it and drive the involvement. To survive, there has got to a shift away from confrontation to collaboration between managers. Managers in foreign markets are not the competition, but must come together and be involved in strategic and operational decision-making.

8.6 PRODUCT RANGING AND DEVELOPMENT

The following two sections will examine what has been identified by Simpson and Thorpe (1996) as the defining dimensions of fashion retailer internationalisation, notably those related to the management of product ranging and development and the activity of fashion brand positioning within foreign markets. Particular attention will be given to the means by which the case companies reconcile on their part, the need to ensure product and brand standardisation through centralised control, with the demand for product and brand decision-making autonomy by British managers.

A common feature for each of the case companies has been the dramatic increase in the past decade in the number of product lines that these offer in the UK market. With the movement towards greater product variety and the inclusion of new product categories, such as fashion accessories and home furnishings, respondents reported carrying as many as 6,000 product options in the UK at any one time. The complexity of managing many differing styles is

compounded by an insatiable consumer demand for new products, which means that as many as 75% of these styles have a "shelf life" of no more than six to eight weeks. Max Mara explained that while fashion design houses had traditionally launched a relatively narrow range of products on a bi-annual basis, increased competition and consumer expectations now required that ranges be extended and available for much shorter time periods:-

A small, core number of lines exists throughout the four month season. But we add new lines every week in order to stimulate interest and also respond to the latest fashion trends. In the end, a store may have to deal with as many 400 new options each week that will only be available for a short time.

Within the context of the seemingly irreconcilable pressures which seek to reduce the 'shelf-life' of fashion styles, but also demand an extension of range choice and assured availability, it is perhaps no surprise that the activities of product ranging and development should present very particular operational challenges for the internationalising fashion retailer. The results of this study suggest that these challenges relate to three particular dimensions of product ranging for the UK market, notably those of :-

- merchandise allocation,

- product design and development,

- merchandising procedures.

Each of these dimensions of product ranging and development will be considered in the sections below.

8.6.1 Merchandise Allocation

The allocation of merchandise to the British market was, according to one Merchandise Director, "a straight forward process that is based upon previous sales history, the size of the market and sales projections for next season". Rather than providing a detailed review of the

various allocation criteria adopted by the case companies, this section will instead consider the general principles of merchandise allocation that they followed.

As one of the longest established foreign operators within the UK market in general, and of the case companies, in particular, Max Mara's Marketing Director explained how his company initially allocated stock to the UK market :-

For Max Mara stores, we basically just offered all of the collection and worked out the quantities for each product on the basis of forecasted sales. The same goes for concessions. We just sent them everything we had available.

However, having extended the number of collections marketed under the Max Mara brand name over the past ten years, allocations to the company's flag-ship and stand-alone stores, in particular, have been refined and now the company allocates "edited highlights" comprising of those products anticipated to "best match the needs of the market". As such, the company estimate that only 70% of the total Max Mara product range is available for sale within the British market within any one season.

Kenzo claimed that in the "early days of the Kenzo brand", it was important to make available the whole collection within the flagship stores and concessions to ensure that "the collection displayed a sense of unity and that the pieces featured in the advertisements could be bought". However, with the introduction of diffusion brands, the extension of the Kenzo main brand collection and the expansion of the company's wholesale distribution network, Kenzo now recognise the need to "adjust the stock to suit the needs of the British market, and of wholesale distributors, and to fit with the available space". From the four Kenzo brand ranges, the two London flagship stores are allocated "every piece from every brand and told to rotate the stock if they have too much to show at once". Kenzo's UK partner company, in collaboration with Kenzo's Paris-based merchandisers, select an edited range, comprising of approximately 60-70% of the total lines available from the four brand collections, which are used to stock their

department store concessions. A further distilled range called "a capsule range" and comprising of approximately 40% of the total number of lines, is then made available via the partner company for wholesale stockist selection.

The rationale for encouraging the selection of their "capsule collection" was to ensure that the flagship stores and key department store concessions retained exclusivity in key product ranges over wholesale stockists. Furthermore, the company recognised their need to ensure production efficiencies by concentrating volume to the most commercial lines in the collections.

The allocation procedures that Kenzo have adopted were found to broadly represent those used by the other case companies. However, while the case companies suggested that local management had a free rein in selecting the products that best suited their markets, those local managers responsible for range selection argued that this was not the case. At the request of the British managers, it was agreed that the identity of all respondents would remain anonymous in the reporting of their disagreements concerning stock allocation.

8.6.1. (i) Criticism of Allocation Procedures

The British managers had two main criticisms of how the allocation of stock was managed within their companies. The first dispute was over their supposed freedom to select products for the British market. One UK Merchandise Director complained that he had no voice in product selection, and it was "a case of selling what you have been given". If a particular product or range was performing well within the case company's home market, then he argued, there would be little likelihood of that product or range being available within the British market because "the chances are not enough of that product would have been produced". And if sales of a particular garment were poor within the home market, then there "was every chance that it would be dumped on us to sell in the UK".

In contrast, a Director of a different company argued that stock that was anticipated to sell well in the home market would be sent automatically to the UK market on that basis, without consultation or regard for the views of the British management, while another Director complained that stock perceived to be high risk because "its performance is difficult to forecast, would be first sent to the UK as a trial before putting it into the home or other markets".

The second area of contention was over order quantities. British managers explained how best selling lines were likely to be strong within more than one market, and as such, it was often the case that the UK partners were under-supplied in these lines. This was a source of frustration for managers, and one Managing Director said that in these situations, "it is obvious that we are treated as the poor relations, we are not the true priority. The home market always comes first". The problem of under allocation was described as a growing problem since, in order to reduce risk, the companies have adopted a strategy of "minimum ordering" from manufacturers, so as to avoid the problem of unwanted stock. However, should a particular line prove popular, according to one respondent, "there is little chance of the repeat order being available on time. It is ironic that the repeat of a strong line ends up as a mark-down, because the trend will have passed".

Reflecting upon the tensions that arise between central and local management over product allocation issues, the Managing Director of one of the subsidiary companies said :-

There has been a shift in our company over allocation, we do have a say. Whether it's a powerful say is another matter. You have to accept stock knowing it will not work to complete the collection and meet order targets. Far better if we could influence things at an earlier stage. At the product design stage. That would reduce the allocation arguments.

Having some influence over design direction was an important objective for the majority of the British management teams, and in some instances, that influence was encouraged by the case companies. The following section will consider the issues of co-operation and involvement within the product development process in greater detail.

8.6.2 Product Design and Development

As was illustrated in Figure 8.5, product design within the case companies was centralised and controlled at their Head Offices. This centralisation was justified on the basis that it ensured, according to Max Mara's Marketing Director :-

a coherency and consistency in the look of the collections across the markets. You cannot have a global brand without a global collection. Central to a brand identity is the recognisability and standardisation of products. Localised design would be inappropriate.

The centralisation of product design was similarly found to be "non-negotiable" for the other case companies. However, in recognition of the difference in customer tastes and needs across the various national markets, there was evidence that some of the companies had attempted to consult and involve local management in the product design process. The nature and extent of that consultation, however, differed markedly among the case companies.

Max Mara reported that their consultation included senior executives from their foreign markets who congregate within the company Head Office in Italy to receive a presentation from the Italian design team on their design proposals for each forthcoming season. At this stage, local executives are invited to comment upon the suitability of the proposals for their market, although the Design Director did stated that "no design decisions are made or altered just to suit any one market, not even the British market". Likewise, Escada confirmed that local management involvement in the design direction process was "fairly narrow". The company did have a group of twenty product designers, of which, three were German, while the others were from nine different countries. According to Escada, this meant that their product design is

"multi-cultural, multi-national and is cosmopolitan in design terms and responds to national differences in fashion".

Recognising the innovative and dynamic nature of the young casualwear market in the UK, Diesel have extended the principle of design collaboration to allow their UK subsidiary to employ freelance designers to provide concepts, designs and ideas for new product developments to suit the UK market. While permitted to commission these designs, the UK subsidiary are not, as yet, empowered to have these manufactured without prior approval. Instead, designs are submitted to the design team in Italy, where, according to the UK Merchandise Director, one of three decisions are made :-

The design team can decide to reject the design as unsuitable. Or they incorporate it into the main collection. The third option it to allow the design to stand and trial it within the UK. The product is then made by Diesel suppliers in Italy, just for the UK market.

As the only market with this opportunity to so influence product design, Diesel's British management team suggested that this "design-autonomy" was given on the basis that the company have recognised the benefits of "encouraging British design innovation,... as well as of using the UK as a test market before rolling-out new designs to other markets".

As a cautionary note to this form of design autonomy, one Merchandise Director explained how his company had also given their UK partner the opportunity to design limited ranges for the British market. As the basis for this agreement, British management were required to obtain prior approval before putting the "designs to work" within company approved factories. The local management were criticised for refusing to be restrained by the demands of prior approval and had developed ranges which were felt "to be at odds with the quality image of the brand". Furthermore, these ranges were criticised for their lack of cost efficiency since these were manufactured in non-approved factories, and so failed to attract adequate discount levels. In the

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light of this experience, the company have decided that "no country will ever be given the power to design their own ranges again".

To conclude this section, the British managers were generally sceptical of the claims that they had a significant contribution to the design process within their companies. Expressing his frustration at the lack of consultation and involvement, one UK Retail Director said :-

Current thinking is all about making decisions as near to the customer as is possible. We know our customers best. It is very disheartening when you know instinctively that certain products will not work in the UK, and you also see product opportunities, but that on both counts your expertise is ignored.

It was this Director's view that the successful international fashion retailers of the future will be those which develop design processes which are "sophisticated enough to be flexible and accommodating to local requirements while still retaining the benefits of scale economies through centralisation". ·

8.6.3 Merchandising Procedures

The extended number of collections and product ranges offered, as well as the movement towards shorter selling periods for collections, were found to have placed significant pressures upon merchandising procedures within the case companies. Those Buying Directors interviewed outlined the complexity of having to co-ordinate with as many as 1000 suppliers world-wide for ranges, with "design to retail" cycles of less than eight weeks. And while the introduction of new technologies in the areas of communication, production and distribution were acknowledged to have contributed significantly to improving standards of efficiency, the countervailing forces of what one Director described as "trend frenzy, with a new collection required every other week", meant that "the benefits of technology seem never to be realised". Merchandise procedures within this context, comprised of a variety of procedures, systems and activities which served to :--

- ensure the accurate allocation and delivery of required merchandise;

- monitor the performance of subsidiary and partner companies in terms of turnover, margin and wastage levels;

- assess the visual merchandising standards of foreign outlets.

While these various activities were found to be crucial to the process of international merchandising, there are perhaps limited insights to be gained from delineating the various ways and means with which the case companies undertook these activities. What is arguably of more interest and relevance is the reporting of those areas where merchandising procedures were deemed to have failed and/or were criticised by British management. Therefore, the remainder of this section will examine areas of infrastructure failure, as well as the various actions undertaken by the companies in order to improve their merchandising performance.

Three aspects of infrastructure failure were identified, the most common of which was the failure to ensure the timely delivery of ranges into the UK market. British management complained that ranges were often delivered so late, and in a piecemeal manner, that products could not be presented in stores as co-ordinated and coherent collections. One respondent claimed that ranges which were planned to be available for a three week period were often as much as eight weeks late, with the result that "these ranges miss the latest fashion look, are obsolete over-night and so end up having to be marked-down". And as the Director responsible for Wholesale Distribution, he conceded that the prioritised picking and delivery schedule adopted by his company further compounded the problem resulting in some ranges arriving ten weeks late.

None of the central management of case companies acknowledged that there was a particular problem in respect of their delivery performance into the UK. However, they did identify a number of initiatives which have adopted in order to improve delivery performance within the

UK, in particular. For example, one company in the past three years have moved from 0% to 65% air courier delivery to the UK, and claim as a result that delivery times have been reduced significantly. Likewise, Diesel introduced for the Autumn/Winter season 1998/1999 on a trial basis, the direct delivery of all jeanswear from their Italian supplier to the UK warehouse.

The second area of "infrastructure failure" related to the lack of information technology compatibility between the stock systems used by the internationalising retailers and those used within foreign markets, including the UK. For example, British management explained that stock control numbering had to be adjusted in order to compliment their British systems and that systems incompatibility made the electronic exchange of sales and ordering information impossible. These incompatibilities were identified as a significant source of mal-administration and inevitably led to cost inefficiencies .

However, from the internationalising retailers' perspective, these incompatibilities were viewed as unfortunate, but inevitable. Highlighting that international expansion, as well as technological developments, are essentially incremental in nature, one company explained that it would be impossible to adopt a universal information system and strategy :-

Every country has different standards, different systems. It is only very recently, with the advent of Microsoft, that we have seen any international computability. I can think of very few retailers that have got integrated systems across foreign markets. If they do, it must have cost them a fortune.

Escada proposed that systems incompatibilities were a fact of life in international retailing and suggested that the only way of relieving the problem would be to "start from scratch, with a new computer stock control system but it would probably be impossible to find a system to suit every market". Since 1995, one company has adopted an "information harmonisation strategy", and require that partners in all new markets adopt their approved operating systems, and that where foreign systems within current markets are being up-graded, that these conform likewise to the company's central system.

Finally, in terms of merchandising infrastructure failure, the administrative systems supporting stock allocations were criticised by British managers. They complained that invoices raised against them were often incomplete and inaccurate, that the systems designed to track the pan-national movement of stock was often out-dated, over-stretched and inefficient, and that the delivery paperwork was "as often as not wrong". The foreign respondents all concurred that the administrative support that they provided for international stock allocation, either in the form of human or system resources, required improvement.

8.7 BRAND POSITIONING

In the first stage of this study, it was identified that the desire to exploit the opportunities of a brand with an international appeal was an important motive for international expansion among the fashion retailers surveyed. Therefore, as part of the second research stage, it was perhaps to be expected that brand positioning should be identified as a crucial element of the process of successfully internationalising fashion retail operations. Indeed, the activities of brand positioning were variously described by respondents as "the key internationalisation activity", "the core of foreign expansion", as well as "what the whole process of internationalisation is ultimately about".

When asked to explain the activity of brand positioning within the context of international expansion, one Marketing Director suggested :-

It is the process of making a brand meaningful and memorable in the customer's mind. But not just the mind of the customer. No, you have also got to place the brand in the mind of the retailers, the stockists who will first sell the brand. Never forget that as much of the effort of brand positioning in a foreign market is directed towards other businesses, as it is towards the customer.

The notion of "two audiences" in respect of brand positioning recurred in other interviews and was principally due to the fact that all of the case companies, with the exception of Jacadi,

retained established wholesale distribution networks in the UK. Indeed, it was suggested that as much, if not greater, effort and financial resources were invested in communicating brand positioning to other businesses as was spent on consumer brand communications. The importance of effectively positioning the brand to wholesale stockists is clearly underlined by Lacoste :-

For the majority of foreign fashion retailers, the wholesale client will always be critically important because they introduce the brand to the market. There is no other way that you could get the coverage that a wholesale stockist gives. So you have just got to get the positioning right with them. Possibly more so.

This does not mean, however, that effectively positioning the brand among consumers was not also an important activity, not least because, according to one informant, "success does not come whenever you get all the best stores to stock your brand. It comes whenever you get the customers to buy it in all the best stores". With the identification of these two 'positioning audiences', the remainder of this section will consider the process of brand positioning with respect to :-

- the business audience;

- the consumer audience;

- multi-brand positioning.

8.7.1 Brand Positioning - The Business Audience.

The research results indicate that the case companies' typically positioned their brands with respect to wholesale clients in four stages. Furthermore, they offered these customers brand communications support at the product, store and external environment levels. The four stages of positioning and the various levels of brand positioning support are examined below.

For all of the case companies, the responsibility for introducing their respective brands to British retail stockists was initially delegated to agents who acted as representatives of the

brand within the British market. The passage of time and estrangement from these original representatives meant that it was impossible to obtain an overview of how the brands were introduced to British retail stockists. However, as relatively recent re-entrants to the British market, the experiences and activities of Naf Naf and Diesel provide some insight into how wholesale networks are established. Drawing from their various approaches, the process of positioning a new brand to wholesale stockists occurs in four stages, as delineated in Figure 8.6

Stage	Positioning Activity undertaken by Case Company
1	Attend buyer's fairs and exhibitions such as 40 Degrees in Earl's Court
2	Allocate trade press advertising budget / undertake trade promotions
3	Open wholesale showroom
4	Establish wholesale account management team

Figure 8.6 : Stages of Brand Positioning to the Business Audience.

In stages 1 and 2, both companies explained that their key objectives was to obtain the attention and interest of stockists by attending trade events, buyer's exhibitions and advertising the brand in trade journals. Furthermore, editorial coverage by the leading trade publications was found to stimulate interest, as one of Diesel's UK Wholesale Managers explained :-

When we were nominated as best new fashion brand by Menswear, the main trade publication, the interest was immediate. That sort of endorsement meant that stockists were prepared to take your call for a change.

Having generated awareness and interest among stockists, the third stage in promoting the brand involved the opening of a wholesale showroom in London. In early 1998, Naf Naf made a significant investment in the opening of an impressive showroom, off Oxford Street in London. This was justified by their Managing Director :-

Brands are based upon image and so it is vital that we have the right environment to showcase the brand. Just like we need the right ambience for our customers, so too do we have to have the right atmosphere to impress our wholesale clients.

Alongside these wholesale showrooms, the case companies explained how they used their flagship stores as a means of promoting and positioning their brands. Kenzo's Marketing Director explained that the flagship store "allows Kenzo to show-off the brand to wholesale customers. It gives them a feel for Kenzo and it has a feel good factor". Typically, the case companies concentrated their initial efforts on attracting the support of London department stores as stockists. When successful, the companies used these relationships a means of establishing brand credibility by association, as was explained by one company:-

Of course, having a concession in Harrods helps us. It gives us credibility. It says to a wholesale customers that we are reliable. Important and it is the correct one to have in store.

Respondents maintained that the creation and maintenance of a credible brand positioning among wholesale stockists was primarily concerned with establishing positive business relationships. Consequently, respondents were clear that the fourth stage, as presented in Figure 8.6, which involved the creation of a professional wholesale account management team, was crucial to the maintenance of a positive brand image among stockists, as Diesel's Wholesale Manager explained :-

Once we get a stockist on board, we have to manage that relationship. There is no benefit in having a great brand if stockists feel that you are unreliable and do not care. We have a solid account management team who work closely with stockists. Good relationships are particularly important.

The recruitment of wholesale stockists was not solely dependent upon the successful execution of the four stages identified above. The case companies explained that the decision by a wholesale customer to stock the brand is dependent upon a variety of factors, not least of which is the issue of future profitability. However, according to respondents, of particular importance

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to wholesale stockists is the provision of what was described as "an effective brand communications support strategy", as Lacoste's Assistant Export Director explained: -

An astute stockist will always want to know how you intend to support the brand in communications terms. A good product is not enough. Success, especially for a new and foreign company, needs an excellent communications strategy to support the brand. It is central.

Given the apparent centrality of brand communications support, the following section will delineate the strategies deployed by the case companies.

8.7.1 (i) Provision of Brand Communications Support

Figure 8.7 is drawn from one of the companies' corporate brochures targeted towards prospective wholesale stockists, Its purpose, according to their Communications Director, "is to show stockists that we have a comprehensive and coherent approach to brand communications".

Brand communications will support the brand on three levels :—

Product
packaging

Store
fixtures and fittings
point of sale materials
in-store photography
window displays

External Environment
advertising
editorial coverage
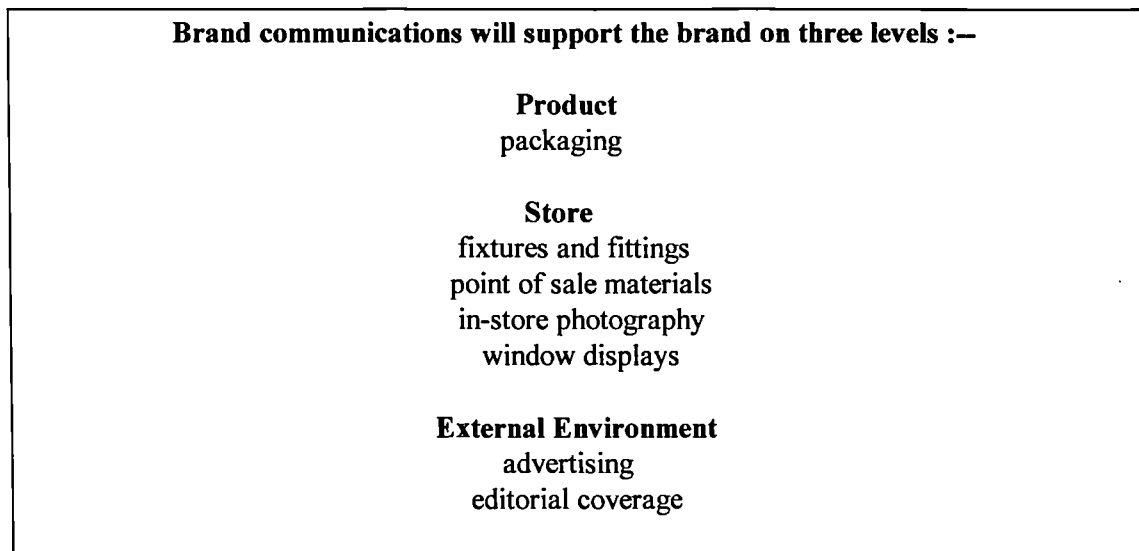
Figure 8.7   Communication Support for the Fashion Brand

Potential British stockists were said to be particularly interested in the nature of external support available for the brand such as in the form of advertising, public relations events, media management and promotions. Indeed, without at least an advertising campaign, the case

companies argued that the majority of British retailers would refuse to stock the brand. Major

stockists, such as department stores, were also as interested in the in-store brand support that a

company could offer. This is further explained by Diesel's UK Wholesale Director :-

**Department stores in the UK expect every brand to come with a full store fit of fixtures,
fittings, lighting and props. They want that because they know it helps to develop the
brand identity. But some now demand that these compliment their own corporate scheme.
So now we must adapt our image to fit their overall image.**

In an effort to ensure greater levels of consistency in terms of how the brand is presented by

stockists, one company has developed a clearly defined merchandising policy. This required

that :-

- all fixtures, fittings, fascia and display materials are supplied directly by the company to all
  stockists;
- all stockists carrying more than 30 pieces must use branded fixtures and in-store visuals,
- all merchandise must by presented together, not mixed through other brands;
- all store and merchandising designs must be implemented as set-down by the visual design
  team.

8.7.2 Brand Positioning : the Consumer Audience.

In Figure 8.7, the three levels which form the basis for the development of consumer brand

positioning was presented and respondents explained how their respective brands were given an

identity and personality through the complex interplay of images, signs and symbols at the

product, store and macro environmental level. Respondents made frequent reference to the

importance of an effective customer communications strategy, particularly within the over-

crowded and highly competitive British market, where consumers are distinguished by their

high levels of brand awareness and brand literacy.

In order to obtain a clear insight into the actual process of introducing a fashion brand to

British consumers, respondents were asked to delineate the various stages that they had

followed when launching their main or diffusion brands within the UK. In all, the processes

adopted by the companies followed five discrete stages and these are presented in Figure 8.8 below.

Stage	Brand - Customer Communications Activity
1	Develop in-store photography / point of sale support for wholesale stockists
2	Create Public Relations profile by :- • Focusing upon media relationships, gaining editorial coverage within media that matches target customer profile; • Targeting key personalities to endorse the brand informally through use, formally through media comment;
3	Develop and implement clear brand merchandising standards for flagship and other stand-alone stores, in terms of :- • in-store photography and point-of-sale materials • corporate style for window displays • distinctive carrier bags and packaging
4	Develop customer relations strategy through :- • in-store events, such as fashion shows; • promotional activities in liaison with press and PR companies • targeted communications through use of customer database
5	Launch press advertising campaign initially within selected publications and selected regions /areas

Figure 8.8 The stages in the development of brand-customer communications.

Reflecting the importance of wholesale stockists to the process of launching a brand within the British market, initial communications development centred upon the creation of a distinctive range of in-store merchandising props emphasising the brand name and image associations. The purpose of these props, which ranged from shelving to in-store photography, was explained by one Marketing Director :-

The visuals for the wholesalers are there to get the customer to recognise the name. They should be a short-hand for everything the brand stands for. Our logo, the script, the colours, the sexy images all register our values of urban coolness and sexiness.

Following from this, the next priority for the case companies was to ensure maximum editorial coverage and endorsement for the newly launched brand. The importance of generating a media profile was clearly emphasised by respondents, not least for the fact that coverage by fashion

editors was felt to be the most effective method of stimulating interest and excitement among customers for a new fashion brand. Paralleling the case companies further expansion within the UK, the third stage saw the focusing of communications attention upon the case companies' flagship and stand-alone stores, as was explained by Escada :-

A new store opening is a high risk venture. Therefore, the whole communications effort is to create an instantly recognisable Escada brand image that the customer can buy into. It is all about branding the experience of Escada.

Having created a store positioning, the case companies emphasised their need to ensure customer loyalty through the implementation of a customer relations strategy. Events such as fashion shows, product promotions and direct mailing of company information were used as the primary relationship-building methods. Perhaps somewhat surprisingly, the final communications stage involved the launch of an advertising campaign within selected publications. Media advertising was delayed to this latter stage for a number of reasons, which was explained by Max Mara's Marketing Director :-

Advertising comes later in the process for three main reasons. The first is cost. It is very expensive in the UK to advertise. So you have to make sure that the brand is going to be a success before you invest. Second, there is no point in advertising if you do not have the stores ready to sell. Third, advertising really only works to make existing customers buy again. You do not advertise until you have them ready to buy from you.

8.7.3 Multi-Brand Positioning.

A common feature of all of the case companies was their development of diffusion brands which attempt to stimulate business growth by further segmenting the market on the basis of price, lifestyle and age. Diffusion branding was justified by one Design Director as their attempt to "satisfy the product needs of current consumers, extend the customer base with new brands, but always protecting the brand through controlling distribution" Table 8.2 provides a review of Escada's diffusion brands, their product focus, and target customers.

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Brand Name	Product Range	Target Customer
Escada Couture	High fashion, hand-made garments by commission	Very wealthy woman, aged 30-50
Escada Evening	Dresses and accessories for special occasions and events	Wealthy women, business or professional, aged 30-50
Escada (Main Brand)	Formal day and business wear	Traditional and successful woman, business or professional, aged 30-60
Escada Elements	Fashion design led casual wear	Fashion-aware and successful business woman, aged 25-40. Lower price than Escada range
Laurel	Fashion design led business and casual wear	Fashion-aware and successful woman, aged 25-35. Lower price than the Escada Elements range
Escada Sport	Casual and sports wear	Fashion-aware woman, aged 20-40

Table 8.2 :- Escada's Sub-brands for Spring / Summer 1999.

As the diffusion brands have become more successful within the market, the company have followed a strategy of developing each as a brand in its own right, providing each with its own distinctive market positioning derived from a separate design, communications, pricing, store format and distribution strategy. Within the British market, the Escada brand remains the company's 'main' brand, in that it is the name "used above the shop doors, in the concessions and is on the carrier bags". It is also the brand that is most promoted by the company.

However, as each of the diffusion brands have become more popular with British women, and with the opening of the Escada Sport and Laurel flagship stores in London, the company has moved towards a policy of advertising and promoting each brand independently. The process of developing the positioning of these diffusion brands to the stage that they might become the "separate name above the shop and on the carrier bag" was described by Escada:-

We developed the diffusion brand in an order. First through the main flagship stores, then we opened a diffusion flagship. Then we developed a wholesale network for the diffusion brand across the UK. The next stage will be diffusion stores across the UK.

The stages outlined by Escada for the development of their diffusion brands within the UK

broadly reflects the pattern adopted by each of the other case companies. Figure 8.9 represents

the sequential development of the diffusion brands undertaken by the case companies.

Stages in the development of a multi-brand positioning	Positioning Activities
Stage 1 Launch diffusion ranges	Stock within London flagship stores Promote brand name via in-store point-of-sale Develop media relations for editorial coverage Seek personality endorsement for brand
Stage 2 Open diffusion flagship stores	Develop retail format concept for brand Implement London focused advertising campaign
Stage 3 Develop wholesale stockist network	Establish sales team to promote and manage brand Extend advertising and promotion campaign into regions
Stage 4 Open diffusion stores across UK	Roll-out diffusion retail format Develop customer databases Local PR events

Figure 8.9 The stages in the development of a multi-brand positioning.

Yet, while the companies each predicted that their diffusion brands could serve as the basis for

future growth in the form of store openings, they also recognised that the extent of their

potential growth may be restricted by two factors. The first, and perhaps most obvious

restriction, was that of resources. The companies recognised that internal resources were

insufficient to fund extensive developments, in the from of brand development and new store

openings, and as such, they acknowledged that the speed of development in these areas would

be affected as a result. The second factor which may serve to inhibit these developments was

outlined by one Communications Director :-

While we know that our brands are distinct enough to stand in their own outlets, we have got to be careful that we do not confuse customers, or undermine exclusivity by having a number of variations on that. British customers are very informed and they may become sceptical of these variations of what may seem the same brand.

Finally, one informant provided a useful summation of the process of brand positioning overall, which in many ways, encapsulates the sentiments of those that were questioned about this process :-

Brand positioning is a state of mind, it happens in the customer's mind. For that reason, we can never be sure that we wholly understand the process. We follow certain procedures, with the product packaging, the store interiors, the advertising, and we just hope it works. Within an international context, the positioning is more complex and in a brand aware market like England, we spend more, think more. We take greater care.

8.8 DISTRIBUTION PLANNING

The distribution activities of the case companies were found to be complex by virtue of their development of multiple point-of-sale networks, which emerged as a response to the trend for shorter product life-cycles, the growth in product scrambling through the development of diffusion brands and the increased fragmentation of consumer demand. Distribution complexity was further compounded by the activities of a significant minority of licensees who were accused of undermining the market positioning strategies of the case companies by failing to judiciously control the distribution of licensed products through retailer outlets and other channels deemed to be appropriate.

The nature and extent of the complexities associated with distribution planning within the British market are reflected in an observation of one interviewee who requested anonymity :--

With more product choice and the demand for new styles, distribution management is very difficult. And as for the physical distribution of stock, minimal resources mean we have to prioritise in terms of how the various types of outlets are serviced. Then there are the licensees and the constant problem of having to deal with their unprofessional approach to distribution.

Within this context, the remainder of this section will examine :-

- the configuration of UK point of sale networks;

- the physical distribution of stock;

- the issues surrounding the distribution of licensed products within the UK.

8.8.1 Point of Sale Networks

The research results indicate that the case companies developed their UK point of sale network in five distinct stages, (although the fifth stage was still at the planning phase for the relevant companies), as illustrated in Figure 8.10 below.

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Launch brand via wholesaling and / or in-store concessions within London	Open London flagship store	Open stores in major UK cities and prosperous towns	Open diffusion flagship store in London / commence mail order	Diffusion stores open in major cities
Extend wholesale & concessions to key retailers in major cities		Launch diffusion brand in flagship store	Wholesale diffusion ranges across the UK	Transactional internet site.

Figure 8.10 :- Five Stages in the Development of a UK Point of Sale Network.

8.8.1 (i) Stage 1

None of the case companies opened stand-alone stores within the British market without first introducing their brand through wholesaling arrangements with third party stockists, and / or by operating in-store concessions within department stores. And as has been identified previously, these initial ventures were managed by multi-brand agents who represented these, and a variety of other fashion brands, within the British market.

The fashion design houses, (Max Mara and Escada), by negotiation with their multi-brand agent, restricted their initial entry into the UK to wholesaling the brand to London department

stores. Kenzo entered the market by first wholesaling and, soon after, opening a concession within Liberty's in London and then through wholesale agreements with other department stores and independent fashion retailers within the capital. Wholesaling to department stores and the operating of in-store concessions were the preferred entry methods since the designer retailers sought to benefit from the department stores' established customer base, reputation and selling expertise, prior to the opening of their own outlets. Operating an in-store concession, in particular, provided sufficient space to present the collections in a coherent and more attractive way which was normally impossible to achieve through standard wholesaling arrangements. The particular focus upon London department stores for initial entry was explained by the fact that the most prestigious stores were located there, and because "London is the UK fashion capital and is always willing to accept new brands". Encouraged by the initial success within London concessions, both Escada and Max Mara subsequently opened further concessions in House of Fraser department stores located in the major UK cities.

The other companies entered the UK through wholesaling arrangements supplying department stores and independent fashion retailers. Again, all of their first stockists were based in and around London. This concentration was explained by the fact that the most successful and influential department stores and independent fashion retailers were located there, as were the multi-brand agents who "preferred to test their new brands within local stores to allow for monitoring performance and decide whether to continue representing a brand".

Wholesaling was described frequently by respondents as not only a means of securing market entry but also as an important source of market intelligence. One company maintained that the future success of their brand could be predicted within one season based upon wholesale sales:-

With a good coverage of wholesale stockists in London we could see almost immediately that the brand was on a good footing. As well as good sales, we had excellent repeat orders for the next season from the stockists and we had others coming to us. Wholesaling gave us that confidence.

Encouraged by their London success, Diesel, Lacoste and Naf Naf extended their wholesale supply outside of London, initially to stockists in cities such as Leeds, Manchester and Glasgow, and then to other cities and affluent towns.

8.8.1 (ii) Stage 2

With a network of wholesale stockists or department store concessions established, the next stage, which was common to all of the case companies, was the opening of a flagship store, again within London. Located within the most prestigious shopping districts, such as Bond Street for Max Mara and Escada, the King's Road for Naf Naf and Covent Garden for Diesel, and expensively designed and fitted, these flagship stores were a costly investment. For example, the development of one store cost £720,000, while the store's annual rental for 1998 was £475,000.

These flagship stores had a dual function. Firstly, they served to generate press interest and gain media attention for the purposes of establishing brand reputation which, in turn, encouraged wholesale sales. Secondly, these served as a prototype for the development of a store / trading format which could then be replicated in a chain of retail outlets across the UK.

8.8.1 (iii) Stage 3

As Figure 8.10 indicates, the third stage in the development of a 'point of sale' network involved the opening of stand-alone stores within the major UK cities based largely upon the flagship store formats. All of the case companies, other than Kenzo, had opened, or planned to open, stand-alone stores outside of London. Kenzo decided against opening stores within other UK cities because they felt that demand for their brand was adequately satisfied by wholesale stockists and, as such, these stores could not be justified on commercial grounds.

At the time of the study, one company was in negotiation to open a store in Manchester, and planned to open stores in other UK cities. However, the company explained that these stores would only be opened when they were convinced that their new image had been established and "that we are sure demand is there and customers understand that we are different from before. So we will advertise heavily and watch wholesale sales carefully"

Both Escada and Max Mara operate a small number of stand-alone stores outside of London, including Edinburgh and Harrogate for Escada, and Guildford for Max Mara. Both companies maintained that these stores did not undermine their exclusive image and that significant local demand made these highly successful stores. Similarly, Lacoste have opened a number of city centre stand-alone stores in the UK and their Assistant Export Director suggested that these store openings had stimulated sales of the Lacoste brand in wholesale stockist's outlets within these cities :-

It may be expected that a dedicated Lacoste store would undermine sales elsewhere in a city but we do not find that to be the case in the UK. It is as if the store increases brand awareness and people who would not have bought the brand, buy it, and those that did from existing stockists buy more.

Four of the case companies also developed diffusion brands, typically aimed at a younger, less affluent consumer who may aspire to own the mainline brand, but who did not have the financial means to do so. In order to introduce these new brands cost effectively and with maximum control, the diffusion brands were always launched within a discrete area of the London mainline flagship stores. The Marketing Director responsible for Max Mara's Marina Rinaldi brand explained the reasoning behind this strategy :-

Launching a new brand is a high cost risk. So it makes sense to launch within the existing stores so as to minimise costs. Marina Rinaldi is for the larger sized lady and we knew that we had to test it out first to find out what parts of the range would work in England. The launch in the Max Mara flagship allowed us to really test the market.

<u>8.8.1 (iv) Stage 4</u>

The fourth stage in the development of the store network involved the opening of flagship stores

within Central London for the diffusion brands developed by Escada, (Escada Sport and

Laurel), Max Mara, (Marina Rinaldi, Marella, Penny Black, Max & Co and Sports Max), and

Kenzo (Jungle and Kenzo Jeans). The companies indicated that their retail strategies for these

diffusion brands were at a developmental stage. Escada's Export Director explained :-

So far, the Escada Sport store in London is a prototype. We are confident that it will become a successful stand-alone chain, and now we are extending that chain out. Because it is positioned younger and cheaper, it will be a big chain in the UK.

According to Max Mara, the purpose of the flagship stores for the sub-brands was to promote

awareness and interest, and to subsequently stimulate sales within department store

concessions, as well as to "provide more space within the main flagship which was getting

over-crowded with too many lines".

Soon after the opening of the diffusion flagship stores, Max Mara, Escada and Diesel also

began to distribute their diffusion ranges through wholesale accounts. The rational for this was

simple, as one Marketing Director explained :-

Diffusion ranges are perfect for wholesaling in that they are cheaper for the customer and generally have higher volume sales and a better margin for the stockists. For that reason, the wholesalers are normally more keen to take on the diffusion ranges since they will be more confident that the range will sell.

The development of flagship stores for "spin-off brands" was not confined to the design houses.

Diesel opened a flagship store in London for their Style-Lab sub-brand range, and the company

anticipated that Style-Lab stores could be extended to other major UK cities. As well as store-

based distribution, Diesel began in the Autumn / Winter season of 1997, to distribute their full

UK jeanswear range and other selected items through mail order in collaboration with various

British catalogue companies and within one year, mail order sales accounted for 30% of

Diesel's total UK jeanswear sales. Despite the success of this development, one respondent

explained that the Italian management team were very much against distributing the brand in

this manner :-

**In Italy, catalogue shopping is seen to be very down-market and for the poor. They felt
that Diesel in a catalogue would undermine the positioning. But we showed that that other
excellent brands did it in the UK, even Marks and Spencer, and that British catalogue
presentation is much better. Great sales convinced them too.**

Lacoste began to distribute via mail-order in the UK in 1996, and they explained that by

distributing through a reputable catalogue brand and by limiting the number of lines available,

"the brand does not become down-graded, but the profits are good because of the volume sold

at full-price. You don't need to mark-down". Suggesting that French fashion retailers were

"much more comfortable with mail order distribution", Naf Naf's UK Director indicated that

her company planned mail order distribution within the UK in order to complement their

proposed UK chain of Naf Naf stores. Similarly, Jacadi expressed their willingness to

distribute either in collaboration with a British mail order company or with one of the French

catalogue companies operating within the UK. The company did not anticipate their taking

responsibility for mail order distribution because of a lack of expertise, resources and

inclination.

None of the design houses distribute in the UK, or elsewhere, via mail order, nor did they plan

to do so in the future. As well as highlighting the significant costs that would be accrued from

establishing an efficient distribution network, the companies argued that mail order availability

would undermine their brand's positioning and alienate concession partners and stockists. One

Marketing Director remarked :-

**The brand is not just about the garment, it is about the shopping experience. Going into
the stores, the beautiful environments, the whole product ranges and the staff and the
service. The brand would not come alive on a page. It would be just a label. Where is the
premium in that? The feel good factor?**

The final stage in the development of the case companies UK point of sale network involved the

opening of diffusion flagship stores outside of London. While there is evidence from other

studies that companies such as Calvin Klein, Donna Karan and Giorgio Armani have

successfully developed UK-wide diffusion chains, none of the companies at the time of the

study had actually reached this stage of development. However, Max Mara, Escada and Diesel

all indicated that it was their intention to open diffusion stores across the UK in the near future.

The rationale for doing so was provided by Escada :-

**A flagship store in cities such as Manchester or Glasgow for the Escada Sport brand
would be good in that we could offer the full range. It would compliment the wholesale
offer in the main cities and increase the profile of Escada in the mind of the customer.
Regional flagships are certainly in our plans, it will just take time.**

At the time of the study, Diesel's UK subsidiary indicated their intention to launch a

transactional web site. Precise details of their internet strategy were not disclosed. However, the

company did intimate that the site would be restricted to T-shirts, underwear and jeans. Orders

would be co-ordinated through their Central London warehouse and delivered using a dedicated

courier company. Reflecting upon Diesel's development of their British store network, their

Marketing Director provided an overview which serves as an efficient description of the

manner in which the case companies' distribution network has developed in the UK :-

**It is very much a gradual movement, out from London, to the other major cities. Keeping
a tight control over where the brand is sold. Building up a customer base by wholesaling.
Then the flagship store, then the store network. Then new brand to keep interest going
Keeping the balance of protecting over-exposure and maximising opportunities.**

8.8.2 The Physical Distribution of Stock.

As a preliminary to the discussion surrounding the physical distribution of products within the

British market, it is worth noting the following observation made by one Retail Director :-

You must remember that the amount of stock that what we distribute within the UK is comparatively small in terms of volume, especially if you compare it to big UK retailers. For that reason, you must not compare us with them. We are operating on very different scales and our level of through-put does not need huge technological investment. We are doing something very different.

Four of the case companies were unwilling to be identified in this part of the study since information related to the processes of distributing stock was felt to be commercially sensitive. Consequently, each of the companies will remain anonymous in the reporting of this section. As a means of gaining some insight into the case companies' procedures for managing the warehousing, physical distribution and delivery of stock, the methods adopted by one subsidiary company is considered below. Four categories of "end client" are identified and presented in Figure 8.11. This company, like the others, tailored the management of stock distribution according to "the nature of the relationship, the client's needs and what we are able to achieve".

Flagship Store

Company Retail Outlets

Warehouse supplies stock to

Department Stores

Wholesale Customers
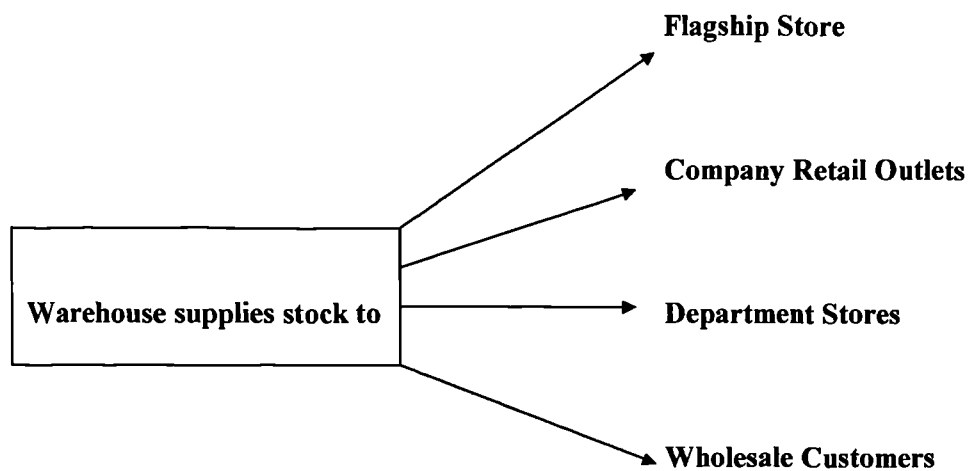
Figure 8.11 :- Stock Allocation of a Foreign Fashion Retailer within the UK.

The identification of these "end clients" and in the order presented in Figure 8.11, is significant since it serves to represent the order of priority that the company adopted in terms of the sequence of their stock picking and despatch, as the UK Distribution Director explained :-

Our first priority must always be the flagship store. We must ensure that it gets exactly the stock it needs. Wholesale stockists probably come at the bottom of the list. If we are

short of stock then it will be the wholesale stockist that does not get it. It does not matter so much to them since they can always sell some other brand. Our stores cannot do that.

For this company, stock consignments arrived in bulk every four to five weeks on average, and based upon merchandisers' forecasts, the stock pick was always for immediate delivery to the flagship store, while the second pick was of replenishment stock used to sustain flagship sales until the next consignment arrived. This replenishment stock was retained in the warehouse and sent on a daily basis to the flagship store in response to the sales reports generated by the store's EPOS system which was integrated with the warehouse's picking allocation system. The average "through-put time", (i.e. the time lapse between delivery of stock from abroad and the despatch of an assembled order) for flagship stores was estimated to be less than 12 hours. Described as "high intensity stock servicing" by the company, daily deliveries to the flagships were justified on the basis that "the flagships have no stockrooms which means more selling space, and daily delivery allows for high levels of availability which gives high levels of customer service"

The process of picking stock for stand-alone stores was broadly similar to the approach adopted for the flagships. Through-put time was estimated to be between two and three days, and again picking was done in two stages, the first intended to support sales for approximately one week, and the remainder for the following three to four weeks. The remaining stock was retained within the warehouse and despatched on a twice weekly basis to the stores. Like the flagship, sales information from these stores was communicated to the warehouse, for replenishment every three days.

Stock for department store and other wholesale customers was picked after the orders for the case company's flagship and stand-alone stores have been assembled. And among the department stores there was a further 'pecking order' in terms of the priority of stock picking :

those that placed the biggest orders were picked first and despatched. Once their orders had been assembled, only then was the picking for wholesale customers begun. Through-put for department store orders was estimated at an average of eight days, while for wholesale customers, the time taken was between twelve and sixteen days. The significant differences in through-put between the flagship store (twelve hours) and wholesale customers (twelve to sixteen days), was not solely for reasons of labour scheduling, as the company's Marketing Director explained :-

The flagship is our premier store, it is there for publicity purposes. We have got to make sure that they get the stock first and get the benefit of first demand. It would be very odd if a stockist in Stoke had the latest range before the key London store. This sort of prioritisation is as much about marketing as it is about managing the stock.

The Warehouse Manager explained that because of incomplete consignments delivered from abroad, it was inevitable that "wholesale stockists who place the smallest orders are most likely to end-up with incomplete orders" The incomplete orders were often supplemented with slow moving lines which the flagship or stand-alone stores were unable to sell. The company did not hold stock in the warehouse for third party customers. Therefore, stock was picked at one time, and delivered either to the department stores' or wholesale customers' own warehouses, or directly to their stores. For the smaller wholesale customers, without warehouse space, deliveries, (comprising of sixty items per delivery), were made direct to stores using a courier company.

The prioritisation of stock distribution in favour of flagship stores over wholesale stockists, the lack of information systems integration with third party stockists and the slower through-puts did place considerable stain on the relationship with wholesale stockists. None of the companies would allow wholesale stockists to be identified for interview as part of this study. However, respondents did acknowledge that distribution issues were a significant source of tension between the case companies and their wholesale stockists. One respondent suggested that their

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company lost approximately 15% of their stockists each year because of poor delivery

performance :-

We know it is bad for business when the stockist de-lists you. We obviously do not want that to happen. But we have limited resources, and if they are only buying £1000 worth of stock each year, sometimes you have just got to build-in that loss happening.

8.8.3 Problems associated with the Distribution of Licensed Products.

All of the case companies have achieved, what one called 'a virtual production capacity'

through an extensive network of licensing agreements. These licensing agreements function on

the basis of an exchange between the case companies, who give permission for their name to be

used on a given range of products to a licensee who pays to make, distribute and advertise

them. As their 'reward' for the deal, the case companies obtained a proportion of sales,

(ranging from 6-18%), as well as guaranteed minimum payments for each season, while the

licensees secured exclusive rights to manufacture and distribute for a brand with an

established reputation and appeal among consumers. Perfumes and cosmetics were the most

commonly licensed products. Further examples of other licensed products included footwear

for Diesel, ties, leather goods and home furnishings for Kenzo, and stationery for Naf Naf.

The case companies engaged in licensing primarily for financial reasons, and one company

declared that 19% of their profits were derived from these licensing agreements. One

respondent provided a succinct summation of the other reasons :--

Our expertise is fashion, not home furnishings or perfume. Therefore, we license our name to experts who have that capability. As well as that, we know that our brand name is strong. It makes sense to capitalise and make as much money as we can. Also, it helps to spread the risk, since we do not actually have to pay anything. The licensee takes the risk.

Licensing agreements were negotiated at central, not local level, and as part of these deals,

licensees were forced to comply with the case companies requirements in terms of the design

and manufacture of products. However, in all cases for perfume and in most for fashion goods,

(Max Mara and Escada were the exception), the licensees obtained complete autonomy over the marketing and distribution of the goods, and were able to do so within the UK without the interference of either local or central management. None of the case companies' central management identified this to be a problem. However, British managers were highly critical of a strategy which allowed for complete distribution freedom, and identified three particular problems with such arrangements. None of the managers are identified here for reasons of confidentiality.

Firstly, the British management argued that the licensees' distribution policies undermined their market positioning strategies by allowing branded products to be made available within inappropriate outlets. One British Marketing Director described the situation faced by his company :--

This situation breaks all the marketing rules. Who in their right mind would allow a third party to take control over the distribution of a product that has our brand on it. Sometimes I walk past a really old fashioned shop and there is our brand in the window. It sends a confused message, and undermines all that we try to do.

Allied to the first complaint, the second objection of British management was that licensees had "flooded the market", and "failed to show restraint in the number of stockists" and that there was a danger of making the "brand seem like another Pierre Cardin". As well as an "over-availability of product", it was suggested that the product quality of the licensed ranges was of a significantly poorer standard than that of company-produced merchandise. One Buying Director argued that this would inevitably lead to customer alienation :--

Our customer does not know or care about whether we or a licensee developed a product. But they do care about inconsistencies in terms of product quality, image and value for money. A poor licensed product inevitably affects us across the business.

Finally, the British management explained that they customers expected to see the licensed products within their outlets, and therefore the companies were compelled to stock these

licensed ranges. They were required to order these products in exactly the same way as any other retail stockist and the British management resented their lack of preferential treatment. They suggested that other retailers enjoyed better standards of service than they did, particularly in relation to discounts, merchandise allocations and timely delivery. One UK-based Buying Manager stated that "it is ironic that we have to order stock under our brand from a parasite third party only to find that we are treated as if we were a nobody". Furthermore, one Senior Executive expressed his disapproval at having "to pay the same price as any other Tom, Dick or Harry. Why do we let the licensees make a profit from us". Instead, he suggested that the allocation and distribution of the licensed products ought to be managed internally so that the company could obtain total control over the pricing, stock allocation and delivery schedules for these ranges.

While none of the central management were prepared to acknowledge that license agreements did present these problems, one company did knowledge their frustration at not being able to control the distribution of these products within the UK and other foreign markets. The Marketing Director explained that his company had entered a twenty-five year licensing agreement which give the licensee full control over the distribution of perfume products within all foreign markets. The Director sought to explain the reasons behind this agreement :--

When we signed the agreement, I do not think that we realised how much money could be made from a license. We agreed to sign over the distribution rights in order to avoid distribution problems. We certainly did not think strategically.

Regardless of the associated problems, one Buying Director was of the opinion that license agreements would increase as fashion retailers extend the breadth and depth of their ranges away from core merchandise ranges. Explaining that his company were at the point of entering new license agreements for home and other lifestyle products, he stated that a central condition of future agreements would be for his company to acquire full control over the distribution of ranges within the home and foreign markets :--

While it may not be as cost effective for us to control the distribution of licensed products, in the long term that is necessary to do so. It will allow us to control this side of the business that has been largely ignored but which is potentially very damaging for the brand.

8.9 CHAPTER SUMMARY

The purpose of this section is to provide a summary of the key findings of the second research phase and to provide a context for the development of the conclusions in the next, final chapter. The aim of the second research phase of this study was to provide an in-depth understanding of the actual process of internationalising fashion retail operations by reflecting upon the activities, problems and issues encountered by seven foreign fashion retailers that operate stores within the British market. The principal findings of the second phase are presented below.

8.9.1 Motives for remaining within the British market.

Previous studies have identified that an understanding of the importance of a foreign market provides an important context for understanding the decisions, methods and processes adopted by internationalising retailers (Hollander, 1970). This study identified three principal dimensions which explain why the case companies have elected to remain within the British market. Firstly, it is a highly profitable market. Secondly, the British market enjoys an international reputation for excellence in fashion retailing, and by virtue of their participation in the UK market, this contributes to the creation of a positive international reputation for the case companies. Finally, the market was identified an invaluable source of competitor and consumer intelligence. These dimensions not only explained the continued involvement of the case companies, but also influenced their respective approaches to the internationalisation of operations within Britain, particularly in relation to the organisation of management structures, the management of decision-making and the methods of brand development adopted.

8.9.2 Defining the Process of Internationalising Operations

Drawing from the findings of previous studies, the advice of the case company representatives, internal case company documentation, and the direction of academics researching within this area, five dimensions were identified as integral to the process of internationalising fashion retail operations. These were management structures, the demarcation of management decision-making, distribution planning, product ranging and development and brand positioning.

These five dimensions served to provide a framework for the development of the second research phase.

8.9.2 (i) Management Structures.

In relation to the management structures adopted by the seven case companies, the study focused upon the organisation of central management with responsibility for international operations, the organisation of management based within the UK, as well as how these latter structures altered and adapted over time. Of the central management structures, it was found that these were formal, hierarchical matrix configurations, with staff clustered around four specialist functions, notably those of merchandising, retail marketing, finance and logistics. The structures adopted for UK-based management varied according to the method of market entry, in that the management structures created for the subsidiary companies were more formal and extensive than those of the 'flagship only' and partner companies.

The research identified that the local management structures adopted by the case companies changed over time, and that a three stage pattern of development could be identified which broadly reflected the way in which their management structures and methods of organisation incrementally developed. The stages in the development of the local management structures

paralleled the continued growth of the companies UK interests, as well as their responsiveness to local market conditions.

8.9.2 (ii) The Management of Decision-Making.

The research identified a demarcation of decision-making responsibility between central and local management, with the former retaining control over strategic decision-making, while operational matters were devolved to local managers. Furthermore, the research did identify that certain tactical decisions were made locally, but only among the management of the wholly-owned subsidiary companies.

Participation, or the lack of it, in the process of management decision-making was an area of significant conflict between central and local management. The British management were criticised for their refusal to comply with strategy and their tendency to make unauthorised decisions, while central management were accused of making decisions based upon a faulty understanding of British market conditions and of failing to honour devolved decision-making agreements.

A number of sanctions for strategy non-compliance were identified, and while central management claimed to have developed policies which would avoid the need for such punishments through the development of more collaborative forms of decision-making, the local management were sceptical of the effectiveness of these initiatives.

8.9.2 (iii) Product Ranging and Development

Within the context of ever-expanding product ranges and ever-decreasing product life-spans, the research identified that product ranging and development was an important, complex and

problematic process. The research results identified, in particular, that product ranging and development, was a source of considerable tension between the case companies' central and British management. For example, in terms of allocation procedures, British management identified that they had limited freedom to select products for their own market and that the quantity of products allocated did not adequately match demand.

Given these frustrations, it was evident from this study that British management wanted to have a more active role in the process of product design and development within their respective companies. While essentially a centralised business function, the central management claimed that collaborative strategies had been put in place so as to allow local management input into this important process. Despite these protestations, British were largely sceptical of the claims and these remained frustrated by their lack of actual involvement. Furthermore, it was found that local management were frustrated by poor stock delivery performance, the lack of an integrated information technology strategy, as well as inadequate and inefficient stock administration systems.

8.9.2 (iv) Brand Positioning

As a means of exploiting the opportunities of a brand within an international appeal, the research identified that the process of brand positioning adopted by the case companies was directed as much towards potential wholesale stockists, as it was towards consumers. Recognising the pivotal role that wholesale stockists have in introducing and promoting a new brand within the British market, the case companies typically followed a four stage introduction process to attract and retain prospective wholesale customers. The study also identified the importance of providing effective communications support at the levels of product, store and external environment, in order to generate a clear and distinct brand identity in the market that would ensure the confidence of their retail partners.

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As to the process of attracting the desired British customer segments, the study recognised that this required the coherent and consistent implementation of a positioning strategy at the product, store and external environment level. Within a British context, this required for some of the companies a change in their original home market positioning, often through the adjustment of their pricing policies, the up-grading of store interiors and above average expenditure on press advertising. In addition, with the development of diffusion brand strategies, Escada, Max Mara and Diesel explained how they had sought to create distinctive brand positionings for each of their diffusion brands through distinct product design, communications, pricing, store format and distribution strategies.

8.9.2 (v)   Distribution Planning

Efficient product distribution is achieved through the development of an efficient point-of sale network, and the study identified that the case companies developed their British network in five stages. This incremental growth mirrored both the growth in consumer demand for their respective brands across Britain, as well as the internal development of their businesses, with the complimentary diversification into diffusion and lifestyle ranges.

The management of the physical distribution of stock was also examined, through which it became clear that the prioritisation of the physical delivery of stock between the various points of sale served to highlight their strategic importance to the case companies.

Finally, the study considered the problems associated with the distribution of licensed products. While primarily motivated by the desire to maximise market opportunities at minimum cost, the surrender of control over the distribution of these products gave rise to considerable problems not least of which were those related to the indiscriminate and over-availability of these products, as well as issues surrounding their quality and suitability.

Based upon the findings of this qualitative research phase, the results of the first research phase, and the findings of previous research reported in the literature, conclusions will be drawn in Chapter Nine. In addition, the implications for future research in this area will also be discussed.

CHAPTER NINE

THESIS CONCLUSIONS

Chapter Summary.

This Chapter begins by reiterating the aim and focus of this thesis. It then proceeds to summarise the findings of the two stages of research included in the study, and presented in Chapters Six and Eight. The limitations of the study are then considered, followed by a reflection on the contribution and implications of the research. Finally, areas for future research development are identified and explored.

9.1 INTRODUCTION

The expressed aim of this thesis was to examine the internationalisation of fashion retailer operations from the perspective of foreign fashion companies that operate stores within the British market. The empirical research was undertaken in two phases. The first phase investigated a number of research propositions, derived from the international retailing literature, by means of a postal survey sent to every foreign fashion retailer, who at that time, operated a fashion retail outlet within the British market. These propositions considered their motives for internationalisation; the direction of their international expansion; the methods of market entry that these adopted; the modifications that these made in respect of their marketing mix elements as a result of foreign market participation; the factors critical to their success within the British market, as well as the barriers to British market success. These dimensions were further considered in relation to the types of fashion retailer and differences were noted in terms of their experience of operating within the British market.

Based upon the findings of the initial research, the second research phase examined the actual process of internationalising fashion retail operations through a case study design involving seven foreign fashion companies that operate stores within the British market. As well as

identifying, then analysing, the primary dimensions of that process, this research phase also considered the distinctive dimensions of operating fashion stores within the British market. The purpose of this final chapter is to draw together the primary conclusions that emanate from the study. These conclusions will be discussed and developed within the context of previous studies and particular attention will be given to what appear to be the defining features associated with the internationalisation of fashion retailing. Furthermore, this Chapter will reflect upon the possible contribution of this study to the understanding of the internationalisation of fashion retailing, consider its limitations, and will identify areas for future research development.

9.2 CONCLUSIONS FROM THE FIRST RESEARCH STAGE.

The first stage of the empirical research explored the nature and characteristics of the respondents' international presence, their motives for international expansion, the direction of that expansion and the methods of market entry they employed for entry into the British and other foreign markets. Furthermore, the adjustments that these made to their market positioning in response to UK market conditions, as well as the key success factors and the problems that these encountered as a part of their trading within the British market, were also identified. Given the paucity of available information with respect to foreign fashion retailers within the UK, the primary purpose of the first research phase was to provide a comprehensive overview of the nature and characteristics of these companies' involvement within the British market.

The main conclusions in respect of these dimensions are provided in the remainder of this section.

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9.2.1 International Profile of Respondents

The research results indicated that while international market involvement was a relatively recent development for the majority of the responding companies, it was by no means a marginal and unimportant activity. The apparent ease with which these fashion retailers have entered and become successfully established within the British and other foreign markets supports the observations previously made by Hollander (1970) and Dawson (1994). The relatively low set-up costs associated with their small store size and their ability to cost-effectively replicate their highly standardised store formats are dimensions that facilitate the often rapid international development of fashion retailers.

The research identified three types of foreign fashion retailer within the British market : the specialist, which focus upon a narrow and deep product range for a specific target market; the generalist, which offer a broad fashion range covering a number of different fashion product categories, typically targeted towards a broad market segment; and the designer fashion retailers, which sell premium priced fashion collections marketed under a designer or fashion house name to affluent customer groups.

On this basis, the results of the first research phase identified a number of clear differences in terms of the internationalisation activities within the UK and elsewhere among the three types of fashion retailers. These various differences will not be summarised here since these were adequately reviewed in Chapter Six. However, drawing from these findings, clear insights into the defining nature of fashion retailer internationalisation emerge. In particular, the fundamental contribution of the fashion brand to the process of successful fashion retailer internationalisation is a key conclusion of the first research stage. The remainder of this section will explore this dimension in the light of these findings.

9.2.2 The Centrality of the Brand to Fashion Retailer Internationalisation

A range of dimensions of retailer internationalisation were examined in the first research phase and these provided a broad framework for the examination of the nature and characteristics of fashion retailer internationalisation. From this evaluation, it became clear that it was inappropriate to assume that the international fashion retailers are a homogenous group, sharing similar characteristics and experiences. Much rather, a key conclusion of the first research stage is the recognition that there are essentially, (and at least), two categories of international fashion retailer; those that are defined by a strong brand identity and those that are not. This categorisation is important in that it serves as an indicator of the likely methods of internationalisation that the retailer will adopt and may be a predictor of the level of success that they are likely to enjoy. Those retailers with a well-defined and appealing brand identity are likely to be more ambitious in their international expansion not least in terms of where and how many stores they open. Consequently, these ultimately enjoy greater international success. Within this context, the central conclusion emanating from the first research phase is that the defining capability of the successful international fashion retailer is their ability to establish an appealing brand within a receptive market. The activity of operating retail outlets serves principally to support that establishment.

The remainder of this section will consider each of the dimensions of fashion retailer internationalisation with a view to supporting this central conclusion.

9.2.2 (i) The Brand as a Motive for Fashion Retailer Internationalisation.

The desire to understand what motivates organisations to extend their operations into foreign markets has been a common feature of the international / export marketing literature (Ansoff, 1957; Bilkey, 1978; Green and Larsen, 1987). Likewise, Akehurst and Alexander (1996), identified this to be a well established dimension of the international retailing literature. Within that literature, there are two pre-dominant strands which represent varying perspectives on what prompts retailers to expand into foreign markets. The first, developed largely in the 1980's, suggested that retailers were 'pushed' to internationalise as a result of depressed trading within the domestic market (Kacker, 1985; Treadgold, 1988, Treadgold and Davies, 1989). The second strand, based upon empirical studies undertaken in the 1990's, (Alexander, 1990, 1994, 1995), and Williams, (1992), offered an alternative interpretation by identifying international market expansion to be a proactive business strategy, motivated by the desire to exploit the opportunities afforded from internal competencies, such as an internationally appealing brand, as well as the attractive economic and competitive conditions within foreign markets.

The desire to exploit the opportunities afforded by a strong fashion brand, with the potential of significant customer appeal, was a defining motivation for the designer fashion retailers especially. As was illustrated throughout this thesis, these particular retailers clearly positioned themselves as "fashion retailers" as opposed to be merely 'clothing retailers'. The key distinction between the two approaches relates primarily to the differences in terms of the importance of the brand to their respective propositions. Designer retailers use branding as a means of generating a personality and allure which communicates a cache to consumers, creates an intangible but very powerful differential and produces a consumer 'pull' in the fashion distribution chain. The non-availability of a distinctive and memorable brand identity among clothing retailers, (identified in this study as the general and specialist fashion

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companies), indicates that the reason for foreign market expansion among this group was derived from domestic market difficulties. Furthermore, without the compelling impetus for international expansion that a brand clearly provides, these 'clothing retailers' inevitably emerge as being considerably less proactive in their international aspirations.

9.2.2(ii) The Brand and the Direction of International Expansion.

Within the export marketing and international retailing literature it is proposed that the process of international expansion commences with entry into a geographically proximate countries, followed by expansion into more geographically and culturally distant markets (Johanson and Vahlne, 1997; Weisersheim-Paul et al 1978; Treadgold, 1988, 1991; and Burt, 1993). The results of this study identified a broadly similar pattern especially among the designer retailers. Furthermore, these retailers were much more likely to enter into geographically and culturally distant markets at a comparatively early stage in their international development.

This finding leads to three related conclusions. The first is that the availability of a strong brand encourages fashion retailers to be entrepreneurial in their foreign expansion, as evidenced by the willingness and the speed in which they establish operations within culturally distant markets. Secondly, the development of a universally appealing fashion brand identity minimises cultural barriers, reduces the risk of new entrant failure and encourages corporate confidence. Finally, the examination of the direction of retailers' international expansion highlights the fact that a global presence is more readily achieved by the designer retailers by virtue of the strength of their brand as opposed to any particular competence they may have in retail operations management.

9.2.2(iii) The Brand and the Methods of Foreign Market Entry.

A variety of methods of foreign market entry have been identified within the literature, Alexander, 1989; Burt, 1993; Knee, 1993, Quinn, 1998), and the choice of entry method has been explained in terms of the level of control that the internationalising retailer hopes to exert over the foreign operation, the degree of risk that companies are prepared to sustain within a foreign market, and the nature of the internationalising retail format (Alexander, 1997; Doherty, 2000). Furthermore, it has also been recognised that retailers often adopt a variety of entry methods as a response to diverse market conditions (Dawson, 1994; Sparks, 1996; Alexander, 1997).

Within the context of fashion retailing, Doherty, (2000) found that franchising was the preferred entry method of British fashion retailers expanding abroad. In contrast, the findings of this study indicate that, in general, organic growth was the predominant market entry method used by respondents. This concurs with the earlier work of Alexander, (1989); Burt, (1993) and Knee, (1993), who found that internal growth and acquisition were the dominant entry modes for internationalising retailers. However, a notable exception were fashion designers, the most prolific of the internationalising fashion retailers, who adopted franchising as the predominant method of market entry into the UK, and beyond.

The link between the brand and the choice of market entry method is an important conclusion of the first research phase. Those firms, such as the designer retailers with well defined brand propositions, are more easily able to replicate their core competence across foreign markets. This is because their brand positioning can be re-created through the generation and careful application of a 'franchise package'. The fact that these branding elements can be contained within a "franchise package" and replicated relatively easily means that these companies can benefit from low cost, low-risk market entry strategies.

In contrast the competitive differential of 'clothing retailers', identified in this study as the general and specialist retailers, is more difficult to locate and replicate. Their differential was typically assigned to some internal competence, such as scale economies in buying. Consequently, given that these competencies are internal to the organisation and are, as such, not readily capable of being externally replicated in the form of a 'franchise package', organic growth methods emerge as the only credible means of exploiting these competencies within an international setting. This reliance upon organic methods of growth, which is essentially high cost and high risk, inevitably inhibits international involvement.

9.2.2(iv) The Brand and the Internationalisation Strategy.

Salmon and Tordjman (1989) recognised the varying degrees of adjustment that internationalising retailers adopt in response to local market conditions. This study confirmed their analysis and noted a continuum whereby general and specialist fashion retailers readily modify their market positioning to fit local market expectations, while designer retailers are more inclined to retain highly standardised branding strategies across foreign markets.

Whenever brand strategies are compared with the international fashion retailer's operating and positioning strategies, it is evident that these are inextricably linked. Indeed, and as has been suggested above, the internationalisation strategies adopted by designer retailers, in particular, can only be fully understood within a branding context. Their adoption of a highly standardised operating approach is motivated by the need to preserve the integrity and consistency of their brand identity. Indeed, it is yet again the availability of a clearly and consistently applied brand identity that facilitates extensive pan-national expansion, enables franchise agreements to be effectively established and managed but which necessitates the adoption of a global operating strategy.

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9.2.2(v) The Brand and Factors Critical to International Success / Failure.

The literature has identified a broad range of factors which are critical to the success of retailer internationalisation, (Williams, 1991, 1992; Dawson, 1994; Alexander, 1997). These typically relate to internal competencies and corporate characteristics in respect of distribution expertise, financial management, the size of the firm, and the availability of an internationally appealing brand and an innovative trading format.

From the results of this study, two conclusions can be made with regards to the factors critical to international success and failure within this sector. The first is that the brand appears to be the only sustainable and reliable mechanism that can achieve differentiation within a foreign market and therefore secure long term success. This is based upon the realisation that the very nature of the fashion brand is essentially symbolic, exists largely in the realms of consumer perception rather than market reality, and if effectively managed and developed, can provide almost impermeable protection from competitor attack.

The second conclusion is that those competencies derived from some internal capability, such as price competitiveness derived from efficiency in operations effectiveness, do not in themselves secure customer loyalty and provide an adequate defence from competitor attack. It is somewhat ironic that the features that the 'clothing retailers', in particular, identified as being their best assets, such as price competitiveness, were also their main problems in international markets. As such, there is justification to question whether sustained international success in this sector is viable without the protection of a competent brand positioning.

9.2.3   SUMMATION OF THE FIRST RESEARCH PHASE

The first research phase of this thesis provided a comprehensive profile of the fashion retailer

respondents in terms of the nature and extent of their involvement within the British and other

foreign markets. In addition to identifying the motives, methods, success factors and problems

associated with foreign fashion retailers' activities within the British and other foreign markets,

the first research phase also highlighted the need to analyse the respondents' experiences based

upon their type and the significance of branding to their positioning.

Based upon the findings of the first research phase and drawing from the typology of

international fashion retailers developed by Alexander (1997), a categorisation of the

international fashion retailers is presented as Figure 9.1 below.

Emphasising the success of the brand to successful fashion retailer internationalisation, the

horizontal axis of Figure 9.1 measures the significance of the brand to each category's market

positioning. Given the previous conclusion relevant to the relationship between the brand and

market entry strategy, the measurement of the significance of brand positioning within this

context is an appropriate development of the cost / control analysis included in Alexander's

original model.
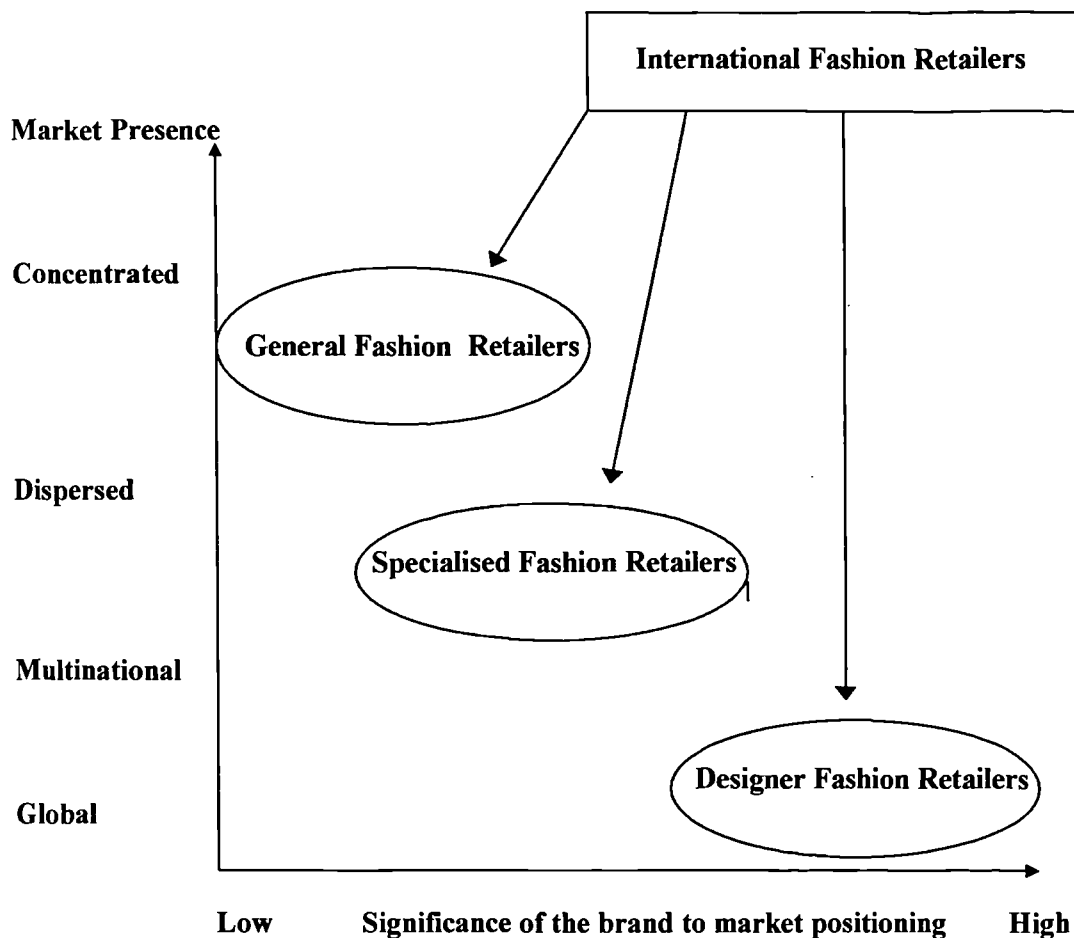
Figure 9.1 : Categorisation of International Fashion Retailer Types based upon Alexander (1997)

Alexander's original schema placed the general retailers with their wide merchandise ranges as cautious or emboldened internationalists, by virtue of their limited international participation and desire to exert maximum control over foreign operations through high cost market entry strategies. From the results of this study, the general fashion retailers had a lesser international presence than their specialist and designer counterparts, and shared a common desire to exercise maximum market control through the operation of company owned stores. Furthermore, and perhaps most significantly, branding did not figure as a major dimension of their marketing positioning. Consequently, these retailers are categorised as concentrated / dispersed international retailers in Figure 9.1.

Alexander identified the specialist retailers as having a presence in a high number of geographically dispersed markets achieved principally through the adoption of low cost / low control methods of market entry. In this study, the specialist fashion retailers were found to similarly involved in a large number of foreign markets. In terms of operating methods, these had a clear tendency to rely upon the high cost / high control approach of corporate ownership. Furthermore, while the development of a clear brand positioning is an emergent feature of some specialist fashion companies that operated within, (for example, the sportswear sector), it is not a defining feature of the majority. Consequently, the specialist fashion retailers are identified in the dispersed / multinational category.

Of the luxury goods retailers, Alexander's typology categorised these as emboldened internationalists who, through the longevity of their international participation, have moved to culturally and geographically remote markets. From Hollander's (1970) definition of the luxury goods retailers, with their premium priced merchandise and exclusive distribution strategies, it is clear that the designer fashion retailers best approximate to that definition. However, the results of this study clearly identified that many of these firms have moved beyond the emboldened stage, and maintain a multinational, and for some a global operating presence, participating within the largest number of disparate foreign markets and operating the largest number of stores. Furthermore, and again significantly, the designer retailers were the category most likely to base their positioning upon a clear defined brand platform and to use franchising as a preferred market entry method. This group are therefore recognised to be multinational / global retailers in Figure 9.1.

From the study, a clear overview of the international involvement of the respondents emerges. This underlines the financial importance of foreign trading, identifies the breadth of foreign market participation, and highlights, particularly among the designer retailers, the critical role

of the brand as a motivation for, and a significant influence upon, their participation in foreign markets.

9. 3   CONCLUSIONS FROM THE SECOND RESEARCH STAGE.

This section provides the conclusions from the second stage of this study, the focus of which was to provide an in-depth understanding of the actual process of internationalising fashion retail operations in the British market. These conclusions will be considered within the context of the findings of the first research stage, as well as those other relevant studies that have been reported in the literature. The conclusions will be examined under seven sub-headings: motives for remaining within the British market; defining the elements of operations internationalisation; management structures; management of decision-making; product ranging and development; brand positioning and distribution planning.

9.3.1   Motives for Remaining within the UK market.

Hollander (1970) suggested that an understanding of why a retailer elects, after a period of time, to remain within a foreign market provides an insight into the strategic priorities of the organisation and the extent of their corporate orientation towards international involvement. This dimension of retailer internationalisation has been largely ignored in the literature, although there has been a tacit assumption that such a continuation is for reasons of market profitability. The findings of this study identified three particular motives for remaining within a foreign market, clearly the most important of which was market profitability, particularly when cross-market subsidy was required for the development of operations within new and unpredictable markets. The other reasons were related to the international reputation of the British market, which through association, contributed to the development of an international brand reputation and captured the interest of potential foreign partners, while access to British

competitor and consumer intelligence was also an important benefit of UK market participation.

Two important conclusions can be derived from these particular findings. The first is that the decision to remain within a specific market is often closely linked to the firm's aspirations with respect to promoting and developing the international reputation of their brand within other markets. For example, the decision by companies to enter and remain within the UK in order to benefit from its international reputation as a world fashion centre is motivated by the desire to enhance the cosmopolitan credibility of the brand.

The second conclusion is that companies seek to remain within markets where the economic viability of their brand is certain, and evidenced by strong sales, future growth and satisfactory levels of profitability. Furthermore, where internal market intelligence serves to enhance the reputation of a brand, then there is a greater likelihood that the retailer will continue to operate there. It could be argued that the connection which links continuation motives with approaches to managing and developing the brand within foreign markets has not been recognised within the literature.

9.3.2 The Elements of Operations Internationalisation.

No clear account of the elements and dimensions integral to the internationalisation of retail operations is offered in the literature. Instead, accounts of the process of retailer internationalisation have focused upon methods of market entry, rather than the activities essential to the establishing of operations post-market entry. Hollander (1970) emphasised the inter-dependencies that exist between dimensions such as management structures, arrangements for management decision-making and merchandising policy, while other studies noted the significance of distribution planning, and the issues pertinent to the management of the retailer

brand within the foreign market (Fernie, 1992; Helfferich and Hinfelaar, 1995). And while

models such as the value chain (Porter, 1985), and the retail value chain, (Walters and

Hanrahan, 2000), provide insights into the value creating activities at a domestic level within

retail organisations, these have not been considered within an international retailing context.

The second phase of this study identified a series of five dimensions or activities integral to the

process of internationalising fashion retail operations. These dimensions were found to be

inextricably linked, with management structures clearly determining the demarcation of

management decision-making, while the product ranging and brand positioning strategies

adopted by the case companies influenced their distribution planning. Figure 9.2 presents the

operationalisation chain in fashion retailer internationalisation.

Management → Demarcation of → Product Ranging → Brand Positioning → Distribution
Structures   Decision-making   & Development   Planning

Figure 9.2 :   The Operationalisation Chain in Fashion Retailer Internationalisation.

In addition to the identification of these five dimensions of the operationalisation chain, the

study also provided an insight into the patterns of behaviours and activities that fashion

companies adopt as part of the process of entering, developing, and managing retail operations

within the UK. Typically, these behaviours were carried out incrementally, and while the

presentation of these in Chapter Eight may suggest that these occurred independently, the

reality was such that the actions often happened simultaneously.

Within this context, an important conclusion from this study is the recognition that the process

of establishing retail operations and a brand identity within a foreign market is a dynamic,

evolutionary activity. Figure 9.3 supports this conclusion by locating together for the first time the dynamic dimensions of the process of internationalising fashion retail operations.

Dimension of the Operationalisation Chain	Change over Time ————————————▶
Management Structure	• Movement towards direct forms of market participation and control • Increased formalisation of structure • clearer division of responsibilities.
Demarcation of Management Decision-Making	• increased conflict in terms of decision-making territory • use of sanctions as a means of control and compliance • as a response to increased channel conflict, programmes for collaborative forms of decision-making and involvement emerge
Product Ranging & Development	• development of merchandising policy and allocation criteria • initiatives to allow for participation in NPD process
Brand Positioning	• incremental movement from brand awareness building to the development of partnerships with wholesale customers • incremental movement from brand awareness building to relationship building among consumers • market development through diffusion brand line extension
Distribution Planning	• incremental development of point-of-sale networks • formalisation of physical distribution policy

Figure 9.3 : The Dynamic Dimensions of Internationalising Fashion Retail Operations.

The remainder of this section will summarise the key conclusions with respect to these various dynamic dimensions of brand and operations development.

9.3.3   Management Structures.

Other than Hollander's (1970) assertion that the market entry methods adopted by the

internationalising retailer have an inevitable bearing upon the form of the local management

structure that they create, the literature has taken little account of the configuration of the

management structures adopted by internationalising retailers.   Chapter Eight supplied a

number of key findings with regards to the nature and characteristics of these structures.   Of

particular significance was the recognition that these changed over time as the companies

responded to broader changes in market opportunity and specific trading conditions.   A three-

stage pattern of change was identified which is presented as Figure 9.4 below.

Stage 1   **Enter via a wholesale arrangement
with a multi-brand distributor.**

Stage 2   **Form a partnership with an
exclusive single brand distributor**

**Depending upon the success / resource availability
of the relationship established in Stage 2 either :**

Continue with the relationship (Lacoste)

or

Exit (Jacadi)

Stage 3

**Suspend partner relationship &
establish a wholly owned subsidiary
company in the UK
(Diesel, Naf Naf, Escada)**

**Develop flagship
subsidiary alongside
dedicated partner
(Max Mara, Kenzo)**

Figure 9.4 :   Three Staged Development of UK Management Structures.

Three conclusions can be derived from these findings with respect to management structures. Firstly, the initial entry via wholesale arrangements with multi-brand, followed by single brand, expert distributors, serves to emphasise that it is <u>essentially expertise in fashion branding that is exported above any other form of marketing expertise</u>. As their designations indicate, the multi and single brand distributors are concerned only with the opportunities to be derived from the importing of the foreign fashion retailer's brand and are not attracted by their competencies as a fashion retailer.

The second conclusion is that the successful internationalisation of fashion is dependent upon competent partnerships derived either from internal or external sources. This was evidenced by the fact that all of the case companies relied upon a third party distributor for the launch and initial development of their brands within the British market. To assume that foreign entrants have the skills and capability to effectively penetrate a foreign market without the support of external agencies is misleading. Furthermore, it fails to recognise the complexities inherent to the establishment of a fashion brand within a foreign market.

Thirdly, there is sufficient evidence from the study to conclude that the management structures adopted by the internationalising fashion retailers are rarely derived from an integrated and planned development strategy. Instead, the management structures that are adopted are invariably ad hoc responses to the failure of some prior arrangement or are spontaneous reactions to identified market opportunities.

9.3.4   Demarcation of Management Decision-Making.

As was identified by Hollander (1970), this study noted that the demarcation of decision-making power to the UK market was largely determined by the method of market entry and the local management configuration adopted by the organisation. As well as identifying the apportionment of decision-making and the mechanisms by which demarcation was realised, the research findings also explored the areas of decision-making conflict and the strategies used to resolve inter-management disputes.

Three further conclusions can be identified with regards to the process of management decision-making. The first is that final control over all decisions relevant to the brands is confined centrally. The brand exists as their key commodity; it is the defining element of their trading strategy. Indeed, issues relevant to the brand were found in this study to be the key strategic concern within the context of international fashion retailing. Consequently, it is perhaps to be expected that companies should seek to retain full control over all decisions that contribute to the development, positioning and protection of the brand. The centralised retention of brand control is therefore non-negotiable.

The second conclusion is allied to the first and it is that in the vast majority of international trading relationships, the decision-making power that will be devolved to management within the local management will *always* pose no significant threat or change to the positioning of the fashion brand. Therefore, where the sharing of decision-making responsibility does occur, it will always be of an essentially operational nature.

A number of disputes were identified in this study, and these related to matters of strategy non-compliance, perceptual disagreements and arguments concerning the demarcation of decision-making territory. The third conclusion is that the majority of conflicts and disputes that exist

within the international fashion distribution chain emanate from tensions arising from ineffective brand management. That there were significantly greater signs of conflict within those companies that had engaged in organic forms of international expansion, is perhaps unexpected but may indicate that these relationships are more likely to be founded upon rivalry, 'moral hazard' and power struggles than those based upon joint-ventures and franchise agreements. A possible explanation for this variance is that in joint-venture and franchise arrangements there is the explicit understanding that the brand sovereignty of the franchiser is non-negotiable. That understanding is not as clearly expressed in internal management relationships.

9.3.5 Product Ranging and Development

The process by which products were developed and allocated to international markets has received scant attention within the international retailing literature, particularly from the perspective of the management problems and issues that result from the attempt to standardise product offering across heterogeneous markets. This study noted the complexity of the international merchandising process, which has in recent years been compounded by the increase in product lines to as many as 6000 at any one time, and the contraction of fashion lifecycles to as little as eight weeks from the introduction to decline stages.

The study's findings focused upon the tensions inherent to the pan-national product allocation process, as well as the 'closed' process of new product development adopted by the case companies. Furthermore, it was found that these companies invariably failed to invest in adequate management information systems to support the process of stock merchandising. Instead, investments tended to concentrate upon brand communications support often at the expense of infrastructure development.

Therefore, a key conclusion with respect to the process of product ranging and development is the recognition that among the most commercially successful international fashion retailers the continued development and protection of the brand takes precedence over all other merchandising decisions. This is clearly illustrated by the research findings. For example, the exclusivity of the merchandise offer within flagship stores served to protect the allure of the flagship shopping experience, while the lack of investment in information management systems underlined the fact that investments in brand development were the avowed priority.

Within the context of new product development, the centralisation of all such development activities and the exclusion of local management from decision-making, can be interpreted as the clearest attempt on the part of the international fashion retailers to retain full control over the branding process. For it is accurate to conclude that one of the defining elements of a successful fashion brand is the creation of a coherent and consistent product portfolio. Modifications to suit local requirements undermine the universality of the brand; a need to adapt implies some weakness that negates the superiority of the brand's positioning. And while it may appear that this strictly global approach results in a loss of local market opportunity, the need to ensure a pan-national consistency in product design is evidently a more imperative requirement of successful international fashion branding.

9.3.6   Brand Positioning

While the importance of a strong and internationally appealing brand has been identified in the literature, (Hollander, 1970; Williams, 1991; Simpson and Thorpe, 1996), and the various modifications which retailer's undertake in respect of their marketing mix elements upon entry into a foreign market have been partially explored (Salmon and Tordjman, 1989), previous studies have not considered the actual process of positioning a brand within a foreign market. Within the context of this study, this was identified as crucial to the process of

internationalising fashion retail operations. The study focused upon the processes, (and difficulties), inherent to the positioning of a fashion brand towards a business and a consumer audience, as well as the management issues associated with multi-brand positioning.

The research findings focused upon four particular dimensions of retailer brand positioning within foreign markets. These related to: -

- the stages of positioning the brand to the business audience;

- the levels of communications support afforded to a newly launched brand;

- the stages of positioning the brand to the customer audience;

- the stages in the development of a multi-brand positioning.

From these research findings, four distinct conclusions can be made. The first again underlines the fundamental importance of the brand to the process of fashion retailer internationalisation. Upon their initial entry into the British and other markets, the 'export currency' as it were, of the internationalising retailers was their ability to provide a brand that was likely to prove attractive to consumers. The primary assessment criterion of possible stockists is the extent to which the brand will generate demand and achieve substantial sales. All other factors, such as those related to the company's operational capability, were, at best, secondary considerations. Consequently, and as has been previously noted in this Chapter, those companies who were nothing more than 'clothing retailers', (i.e. they did not possess a distinctive brand), have much less to recommend them.

Reflecting upon the range and extent of the communications support expected of a newly launched fashion brand, the second conclusion is that those which position their brand at the upper / luxury end of the market are more likely to succeed. Three particular dimensions support this conclusion. The first is a matter of cost economics, in that the high costs

associated with providing credible brand support necessitate a premium pricing strategy so as to assure commercial viability. The second dimension acknowledges that a premium price positioning creates an exclusivity, which, in turn, creates brand allure, and with it, consumer demand. Finally, as was identified in Chapter Eight, the adoption of a luxury brand positioning is in accord with the wider consumer trend that has seen a significant increase in demand for luxury products across most national markets.

Chapter Eight considered in detail the processes that fashion retailers adopt as they seek to position their brands to their respective consumer audiences within new foreign markets. The principal finding here was that this was essentially an exercise in marketing communications, as they generate an image and personality for their brands in their customers' minds. As such, the single conclusion that can be made at this juncture, is that the substance of the fashion brand, whether it be within an international or domestic context, is essentially representational. Consequently, it is the significant meaning and the symbolic dimensions of the brand that attracts consumers. There was no evidence to suggest from this study that consumers were attracted by any of the firms' retailing competencies.

Finally, the study found that internationalising fashion retailers typically develop their diffusion brand offer over four stages, beginning with a launch in their flagship stores and culminating in the creation of a diffusion store chain. It is perhaps the review of this particular process that best serves to support the conclusion that the internationalisation of fashion retailing is essentially concerned with the internationalisation of the fashion brand. For it is the case that, even in the development of a diffusion store network, the principal business competence that is exploited is the firm's ability to once more create a convincing brand offer. All of the other competencies typically associated with having relevance to the function of retailing are relegated to become supporting functions for the activity of effective brand creation,

positioning and protection. The pre-eminent role that the process of brand management has to the activity of international retailing is perhaps best supported by an observation made a respondent who stated: -

What we are actually doing is exporting a brand here. All of the aspects of retailing, like the store, like the distribution arrangements, these all contribute to what the brand is. It is impossible to isolate the brand from the process. The brand is the process.

Based upon the findings presented in the thesis, the process of positioning a brand within a foreign market is evidently the defining activity of fashion retailer internationalisation. With this realisation comes the further recognition that the internationalisation of fashion retailing is essentially the internationalisation of the brand.

9.3.7   Distribution Planning

Previous studies have emphasised the importance of adequate distribution planning to the achievement of competitive advantage within an international context, (Fernie, 1992) and these have been calls for a fuller consideration of the store network configurations adopted by the internationalising fashion retailers (Fernie et al, 1998), as well as the strategies adopted by fashion firms as they seek to manage the physical distribution of stock within foreign markets (Christopher and Peck, 1994).

The literature has frequently acknowledged that the international expansion of retailers follows a staged pattern of development, typically starting with an entry into a lower risk, culturally proximate market, before entering into more diverse markets which pose a potentially greater financial risk (Treadgold, 1989; Lualajainen, 1991). However, no attention has been given to the stages that retailers pursue as they extend their store networks within a foreign market. This study identified that the case companies developed their UK point of sales network in five distinct stages, as illustrated in Figure 9.5 below.

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Low-cost / Low-risk	Direct investment	Market diversification	Market extension	Market development
Launch brand via wholesaling and / or in-store concessions within London ↓ Extend wholesale and concessions to other key retailers in major cities	Open London flagship store	Open stores in major UK cities and prosperous towns ↓ Launch diffusion brand in flagship store	Open diffusion flagship store in London / commence mail order ↓ Wholesale diffusion ranges across the UK	Diffusion stores open in major cities ↓ Transactional internet site

Figure 9.5 : Five Stages in the Development of an UK Point of Sale Network.

In Chapter Eight the issues associated with the development of the UK point of sale network were discussed and these therefore need not be repeated at this stage. However, what is important to state here is that Figure 9.5 also represents the defining conclusion for the study and it does so in four particular ways.

Firstly, and possibly most significantly, the review of the development of the UK point of sale network again serves to identify that the internationalisation of retailing is essentially a process of brand internationalisation. From the moment of entry through the relationship with the wholesale stockist, to the point when the diffusion range is distributed through the internet, it is clear that these are all activities that are adopted principally to facilitate the distribution of a brand to consumers who want that brand. Indeed, it could be argued that since these companies

are often prepared to use and retain a range of distribution methods, including that of indirect market involvement through exporting via wholesale partners, this indicates that the activity of retailing is not necessarily their defining business purpose. Indeed, it would appear that in some instances, the decision to engage in retailing activity is principally by necessity and is possibly a reluctant response to distribution channel failure.

The second important conclusion relates to the essential nature of the brand itself. In order to extend the range of international activities to include flagship store outlets and diffusion range developments, the brand must be expertly defined and specific in its target market but also have a sufficiently broad appeal to make it attractive to a range of aspiring consumers. Implicit in this description is the requirement for the successful international fashion brand to have a premium position within the market. This requirement is derived partly from precedent since the most successful fashion companies, such as Dior and Gucci, internationalised initially from a premium market positioning. Furthermore, without this premium standing, the brand would not have the elasticity that allows for extension into diffusion markets.

Thirdly, Figure 9.5 serves to highlight the increasing complexity of fashion consumption and particularly that the former economic and social boundaries, which served to define markets and prescribe retailers' target markets, have eroded over the past decades. As such, the notion that the brands sold by the international fashioners are only for rich, as was inferred by Hollander (1970), no longer holds true. The parallel trends of an increased consumer demand for fashion brands and companies' commitment to maximising business opportunities through cross-market participation, have provided the conditions for the democratisation of fashion brand distribution.

The final conclusion that can be derived from Figure 9.5 is the distinction that can be made between fashion retailers (such as Diesel) and clothing retailers (such as Marks and Spencer) that have an international presence. The defining distinction is that the positioning of the former is based upon their having an aspirational brand, which creates a positive differential in the mind of the consumer. Such is the power of the brand to affect consumer perceptions that the application of a simple brand identifier, such as a brand name, can transform a product to make it appear fashionable and socially acceptable. For the clothing retailer, the allure of the brand is missing, their name is merely a label that indicates proprietorship; it carriers no social kudos. Most telling of all, the availability of the brand to the fashion retailer enables the development of their business through the progressive stages of brand extension that are detailed in Figure 9.5. In contrast, these opportunities for brand extension are not available to the clothing retailer.

In summation, the central conclusion of this study is the recognition that the internationalisation of retail operations is essentially the process and vehicle by which the brand is established, developed and protected within foreign markets.

9.3.8   Summation of the Second Research Phase.

The second research stage afforded the opportunity to critically reflect upon the decisions, behaviours and attitudes of those personnel vested with the responsibility of managing the process of internationalising fashion retail operations. Of particular note is the fact that this research phase not only underlined the inherent complexity of managing the process of international expansion, but also emphasised its dynamic, at times, haphazard and frequently problematic nature.

Most significantly, the second research phase recognised that the internationalisation of fashion retail operations is not an end in itself, but is an important means of ensuring the effective distribution of the fashion brand within foreign markets.

9.5 CONTRIBUTION OF THE THESIS

The aim of this study was to examine the internationalisation of fashion retailer operations from the perspective of foreign fashion companies that operate stores within the British market. Reflecting upon the findings of both stages of the study, it is clear that it provides a valuable contribution to the knowledge on international retailing, specifically within a fashion context. The nature of that contribution is considered below.

The predominant contribution of the thesis has been the examination of the process of internationalising fashion retailer operations and the identification of the pivotal role that the brand has within that process. Essentially, the study provides recognition of the fact that the internationalisation of retail operations is one, (albeit an important), dimension which supports the international distribution of the fashion brand. Consequently, the thesis provides for a more inclusive and accurate understanding of the internationalisation process through its placing of the brand at the very centre of all business decision-making and activity. As such, the brand can no longer be viewed as a peripheral support to store operations activity, but is instead viewed as the defining concern of "fashion retailer" internationalisation.

The remainder of this section will present other areas of contribution that are derived from this study. These are considered chronological as they appeared in the thesis.

In broad terms, the specific contribution of the first research phase is its empirical examination of the various key themes of retailer internationalisation, as identified in the literature, within the context of fashion retailing. It would appear that no previous study has extensively examined these various issues within a fashion retailing context, and clearly not from the perspective of the experience of foreign entrants to the British market. The significance and

influence of prevailing environmental conditions upon the interpretation of previous empirical studies of the process of retailer internationalisation has been identified in the literature. Given that this study was undertaken during a period of unprecedented growth in terms of the involvement of foreign fashion retailers within the British market, the research findings provide a point of comparison for future studies undertaken within different environmental conditions.

A further contribution of the first research phase relates to the examination of retailer internationalisation from the perspective of the three types of fashion retailer : the designer, specialist and generalist, and provides useful insights into these companies' varying experiences of international activity. The first research phase also provides a comprehensive 'snap-shot' of the nature and characteristics of foreign fashion retailers' activities within the UK market and elsewhere at a given point in time.

Previous empirical studies of retailer internationalisation have been predominantly quantitative in nature, and while some recent studies have adopted qualitative approaches, (Clarke and Rimmer, 1997; Quinn, 1998;1999), there have been calls for a more extensive use of qualitative methods in order that a deeper and richer understanding of fashion retailers' internationalisation activities may be provided (Doherty, 2000). Within this context, an important contribution of this study emerges from the use of an innovative data collection approach which was at once international, (interviews were undertaken in France, Germany and Italy); inclusive, (local and central management were involved), and was extended (interviews occurred over a six month period). Furthermore, the adoption of a multi-case approach allowed for an in-depth investigation of the crucial areas of retailer internationalisation within a fashion context that has been previously lacking in the literature.

The second research phase also provided a range of specific contributions. These are delineated below.

While the motives for initially entering a foreign market have been well expressed in the literature, little account has been taken as to the reasons why a company should elect to remain within a chosen market. That this study found that the case companies elected to remain within the British market for three specific reasons is perhaps less significant than the recognition that an evaluation of these continuing motivations provides some insight into the strategic priorities of organisations. Significantly, the study recognised a clear link between these continuation motives and the desire to enhance the international status of their brands.

No previous study has attempted to identify and locate the inter-dependencies that exist with respect to the dimensions that are integral to the process of internationalising fashion retailer operations. Clearly, therefore, a key contribution of this study is linked to its focus upon the actual process of internationalising fashion retail operations and the subsequent identification of the operationalisation chain in fashion retailer internationalisation. The identification of these inter-connected dimensions took the study of retailer internationalisation beyond merely the issues associated with the process of market entry and instead directs attention upon the issues and challenges associated with the actual management of their brands within foreign stores.

Through the examination of management structures of international fashion businesses, the significance of the study is also apparent from the identification of a three stage pattern of development with respect to management structures within the UK. This served to emphasise the point that management structures must be flexible and responsive to local market conditions and opportunities. An extensive literature exists which considers the nature, and especially the conflicts that exist, in respect of channel partner relationships, particularly within the context of

franchise networks (Eroglu, 1992; Forward and Fulop, 1993; Huzagh et al, 1992). An examination of channel member relationships and intra-channel conflict has yet to materialise within the international retailing literature. Through an examination of the conflicts that arise from decision-making conflicts, this study has identified not only the nature and source of channel conflict, but has also underlined the fact that management conflict is common to those companies that use internal forms of market development.

The literature had clearly identified the importance of the brand within the context of retailer internationalisation, (Hollander, 1970; Treadgold, 1989; Dawson, 1994; Burt, 1993), and especially within the context of fashion internationalisation, (Fernie et al, 1997; 1998; Lea-Greenwood, 1997). However, no consideration has been given to the actual process of launching and positioning an internationalising retailer's brand within a new foreign market.

This study contributes to the knowledge in this area, particularly in terms of delineating the process of launching a fashion brand to distributors and consumers. Furthermore, the study provides an invaluable insight for practitioners with the opportunity to gain a better understanding of the processes of developing a multi-brand positioning within a foreign market. Despite the central role that the product plays within the fashion retailer's international market positioning, the process of managing products, in terms of their creation and development, allocation and handling within a foreign market, has been ignored in the literature. This study has contributed to the knowledge in this areas primarily through the provision of an analytical account of the management processes, challenges and apparent conflicts that are inextricably linked to the process of fashion merchandising within an international setting.

Finally, the study provided a comprehensive review of the distribution objectives of the case companies and offered a model which illustrated the five stages in the development of a point-of-sale network by foreign retailers within the British market. The value of the model resides in its ability to communicate that the expansion of a multi-format store network is motivated primarily by the desire to support and exploit the potential of a strong brand within foreign markets. Furthermore, the benefit of the model is also derived from the association that it draws between the emergence of a complex distribution network with a clear market development strategy, that is initially highly cautious to one which is opportunistic and experimental.

9.5 LIMITATIONS OF THE STUDY

Commentators on the research process willingly acknowledge that every research process is hindered by some form of limitation (Webb, 1995). This study was no exception, and while the limitations of this thesis and the measures adopted in order to minimise their effect were identified in the methodology chapters, these are worthy of further consideration.

There are three principal 'sets' of limitations associated with this study. Considering these chronologically in terms of their presentation within the thesis, the first set relates to the literature that supported the study. Clearly, there is a shortage of empirical evidence and a lack of established theoretical frameworks relevant to the internationalisation of retailing in general, and especially in relation to fashion retailing. This lack of a theoretical base was particularly evident in the second research phase which sought to examine the actual process of internationalising fashion retailers' operations. The paucity of relevant information in this area required that various and often unconnected strands of the literature were brought together in order to provide a practical, but nevertheless, untested basis for the second stage of the study. Furthermore, where possible, the study drew from the literature relevant to the internationalisation of other sectors, principally that of manufacturing in order to provide direction for the second research phase. Of the latter strategy, other researchers, including Dawson, (1994) and Sparks, (1996) have questioned the appropriateness of the application of theoretical frameworks developed for the manufacturing sector to an international retailing context. Consequently, given the under-developed status of the subject area in general, and specifically in relation to the internationalisation of fashion retail operations, it is necessary to state that the conclusions provided in the thesis are essentially of an exploratory nature and require further substantiation by other empirical studies to allow for further conceptual development.

The second 'set' of limitations relate to the survey method of data collection used in the first research stage. Firstly, the sample size of sixty retailers could be construed as small, which may in turn appear to undermine the validity of the conclusions for this research stage. By way of mitigation, however, the total population size was small (one hundred and three), and the response rate of 58.2% was relatively high for postal surveys and compared favourably with comparable studies of international retailing activity (Alexander, 1990a; Williams, 1991, 1992). Furthermore, the fact that the seven case companies included in the second research phase originated from just three countries could be construed as a failure to provide a variety of diverse cultural perspectives. Yet, given that over 65% of the foreign fashion retailers operational within the UK came from these three markets, it was felt that their inclusion provided an adequate representation of the most important originating markets.

The focus upon the respondents' activities within a single market, (i.e. the UK), could also be viewed as a limitation. However, given that the questionnaire also considered the respondents' international activities in general terms, as well as within the particular of the British market, it could be suggested that the results still provide a comprehensive account of fashion retailer activity within a variety of markets. In addition, given that the overall focus of the study, and particularly within the second research phase, was concerned with the activities of foreign fashion retailers within the British market, it was felt that the results obtained from the questionnaire provided a necessary direction for the second phase.

A further criticism of the questionnaire method is concerned with the possibility that respondents may have provided inaccurate accounts of activities that occurred in the past, and may have engaged in post-hoc rationalisation of activities which otherwise may appear to be inconsistent or inappropriate. As a means of addressing this issue, a benefit of the in-depth case study method adopted in the second research phase was that it gave the opportunity to

further explore and validate the issues identified in the first research phase. The evidence obtained from the second research phase did not indicate that the findings of the postal survey were flawed or mis-leading.

Furthermore, the company classification used for data analysis comprising of the three types of fashion retailer; the generalist, specialist and designer, could be criticised for its lack of verification from previous empirical studies and its over-dependence upon arbitrary distinctions based upon market positioning and product focus which may change over time as new merchandise groupings, formats innovations and operational techniques emerge (Alexander, 1997). While these criticisms are acknowledged, no other categorisation was available from any previous and relevant study. The classification that was finally adopted was verified as appropriate by an external source, notably that of the Fashion Council. Furthermore, the three terms have been used independently and collectively in various market research reports provided by reputable market analysis organisations, (Corporate Intelligence on Retailing, (1997), Verdict, (1999), Emap, (1997), and Mintel, (2000).

The third 'set' of limitations relate to the case study design adopted in the second research stage. Section 7.8.2 provided in detail a consideration of the potential problems associated with qualitative data capture, particularly in relation to documentary sources, executive interviews and direct observation. Arguably the most significant of these relates to the role of the researcher, not only in terms of the process of data collection, but also in respect of its interpretation and analysis. Always there is the possibility that the researcher may over-simplify or over-state particular dimensions, and as a result the conclusions that are drawn may be inadequate, if not false (Guba and Lincoln, 1994). While every effort was made to ensure that researcher bias was minimised through the adoption of a variety of verification procedures,

there remains the possibility that the conclusions presented here are incomplete, not wholly accurate and open to alternative interpretation.

Finally, those who reject case study as a research methodology invariably do so on the basis that it is not possible to derive generalisations and obtain universal findings from one or a number of case studies. While it could be argued in this instance that the seven companies included in this study were sufficiently diverse to illustrate a broad range of experiences, it is also recognised that their representationality is limited not only by their relatively small number, but also by the fact that the seven originated from only three geographically proximate European markets. However, no claim is made for the universality of the research findings, but instead it is proposed that the study provides insights into the actual processes inherent to the internationalisation of fashion retail operations that are relevant, contemporary and rich in detail.

9.6 THE DIRECTION OF FUTURE RESEARCH

The potential areas of research within the field of retailer internationalisation are many and varied, reflecting the range and diversity of retailer's foreign market involvement. Therefore, there would be little benefit to be derived from providing an extensive list of possible research areas here. Instead, this section will suggest a direction for future research that derives directly from this study, and which, therefore, focuses principally upon the internationalisation of fashion retailers.

Despite the possibility of research development within a variety of areas, four specific areas are identified here. The first relates to the largely unexplored area of 'continuation motives', that is, the reasons which encourage a foreign entrant to remain and continue to develop their activities within a specific market. The dimensions relevant to a retailer's decision to internationalise have been well explored within the literature, and in recent years researchers have begun to consider how retailers' motivations for international involvement change over time (Dawson, 1994; McGoldrick and Fryer, 1993; Alexander, 1997). There can be no doubting the legitimate value of these investigations.

However, from the results of this study, the reasons as to why a retailer elects to continue within a market also provides invaluable insights into not only those dimensions of a market that the foreign entrant initially, and subsequently, identifies as important, but also provides a meaningful context for understanding the strategies that retailers deploy within certain markets. From this study it was clear that specific dimensions of the British market became very important to the companies over time, and that these dimensions influenced the companies' management decisions, particularly in relation to management structures and the delegation of decision-making. Further studies in this area could consider the continuation reasons identified

by fashion companies as they enter other markets, and the impact of these dimensions upon the strategies that they adopt in these countries, could be explored. In addition, the extent to which the continuation motives change in importance over time could be more extensively explored.

The second area for future research relates to the market withdrawal of internationalising fashion retailers. Dawson, (1994) suggested that market withdrawal was less problematic for fashion retailers not least because of the relatively small set-up costs that were required. Within this study, market withdrawal was a common feature of the case companies' experience of operating within the British market. Their withdrawal was typically associated with the breakdown of their relation with a third party representative in the UK market, and was invariably followed by a swift re-entry to the market, but with a revised market entry and trading strategy as a result. For a variety of reasons, not least those related to the case companies' apparent unwillingness to discuss this particular dimension in detail, it was not possible to explore this important area in any significant depth within this study. However, future research could explore not only the conditions which precipitate market withdrawal by fashion retailers, but also the resultant impact of these activities upon their subsequent trading strategies within other foreign markets, or within the original market should re-entry be initiated.

The third area for further investigation relates to the level and nature of management conflict that exists between members of the international fashion distribution chain. The origin, nature and resolutions to the various forms of conflict that may surface within the internationalisation chain have been poorly represented within the literature. However, it is clear that an analysis of these conflicts would provide a useful contribution to the understanding of the manifestations of power within the chain. Furthermore, it provides a context for developing a conceptual

understanding of the role and significance that the exercising of channel power has upon channel relationships and distribution effectiveness within an international context.

Finally, the fourth area for future research that emanates from this study relates to the five dimensions identified by this study as integral to the operationalisation chain in fashion retailer internationalisation. No previous study has considered the elements that are core to the process of internationalising fashion operations. Therefore, future studies could seek to validate and further develop the operationalisation chain as it is presented in this study. In particular, consideration might be given to how the chain must vary and adapt for entry into foreign fashion markets with differing structures and competitive conditions from that of the British market.

A logical extension of such a study would be to consider the operationalisation chain within other retailing sectors, and therefore allowing researchers to compare and contrast the nature and emphasis of the fashion operationalisation chain with that of other sectors. At this stage, it is possible to predict that the complexities of issues of brand positioning, particularly with respect to multi-brand positioning, may prove to be less prominent within the food sector as it is within the fashion. In any event, a move towards these diverse investigations would not only provide more detailed accounts of the actual activities inherent to the internationalisation of retailing in general, but would also serve to further emphasise the idiosyncratic nature of fashion retailer internationalisation as was clearly identified and emphasised throughout this thesis.

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Appendix 1

List of International Fashion Retailers
(Corporate Intelligence on Retailing, 1997)

Company Name	Country of Origin	Type
Kleider Bauer GmbH	Austria	general
Gazelle AG	Austria	specialist underwear
Hervis Sport	Austria	specialist sportswear
Magazzini Nico Schuh	Austria	general
Palmers AG	Austria	specialist underwear
JBC Mode	Belgium	general
Bestseller / Vero Moda	Denmark	general
Bison Club	Denmark	general
Bitte Kai Rand & Co	Denmark	general
Carli Cry A/S	Denmark	general
Cha Cha Danmark A/S	Denmark	general
Choise by Denmark	Denmark	general
Claire	Denmark	specialist underwear
4 You A/S	Denmark	general
Inwear Group	Denmark	general
Red/Green	Denmark	general
Agnes B CMC	France	designer house
Groupe Andre SA	France	general & specialist footwear
Auchan SA : fascia : Orsay Kiabi Pimkie	France	retail network general
Bonpoint SA	France	specialist - babywear
Cacharel SA	France	designer house
Catimini	France	specialist - babywear
Cerruti 1881 SA	France	designer house
Comme Des Garcons	France	designer house
Coup de Coeur SA	France	general
Damart SA	France	specialist - underwear
Devernois SA	France	general
Dolfus-Meig SA	France	general
Du Pareil SA	France	specialist - babywear
ECB Big Star SARL	France	specialist - jeans
ETAM	France	general
Intexal-Rodier SA	France	general
Jacadi SA	France	specialist - babywear
Alain Manoukian SA	France	specialist -woollen
NAF NAF / Chevignon	France	general
Pantashop GIE	France	general
Petit Bateau SA	France	specialist - babywear
Pinault-Printemps-Redoute	France	general
Prenatal	France	specialist - babywear
Promod SA	France	general
Tati SA	France	general
Zannier SA	France	specialist - childrenswear

Adessa Moden GmbH	Germany	general
Adler Modemarkte	Germany	general
Douglas Holding AG	Germany	general
Textil Markt Eisel	Germany	general
Hettlage KG	Germany	general
NKD Vertriebs GmbH	Germany	general
Otto Versand GmbH	Germany	general - mail order
Ulla Popken	Germany	specialist - larger sized fashion
Roeckl Handschuhe GmbH	Germany	specialist - gloves & accessories
Jil Sander AG	Germany	designer house
Tengelmann	Germany	general
Trend-Line	Germany	general
Dunnes Stores Ltd	Ireland	general
Benetton Group Spa	Italy	general
Diesel Spa	Italy	designer house
Gucci Spa	Italy	designer house
Max Mara	Italy	designer house
Stefanel Spa	Italy	general
Valentino Spa	Italy	designer house
Gianni Versace Spa	Italy	designer house
Ermenegildo Zegna Holditalia Spa	Italy	designer house
C & A Nederland BV	The Netherlands	general
Dormael Beheer BV	The Netherlands	general fascias
Livera	The Netherlands	specialist -lingerie
Hema	The Netherlands	general
Amici Mode Voor De Vrouw	The Netherlands	general
Amici Mannenmode	The Netherlands	general
M & S Mode	The Netherlands	general
Macintosh NV	The Netherlands	general
Mexx International NV	The Netherlands	general
Oilily (Olly's BV)	The Netherlands	specialist- childrenswear
Vendex International - 1. Claudia Strater 2. Hunkemoller 3. Kreymboourg	The Netherlands	specialist - designer house brands specialist - underwear general
Wibra Textielsupermarkt NV	The Netherlands	general
Jan Zeeman BV	The Netherlands	general
Adelsten A/S	Norway	general
Varner - Gruppen / Hegenfeldt A/S	Norway	general
Maconde Confeccoes SA	Portugal	general
Coronel Tapiocca SA	Spain	specialist - travel /

		leisure
Adolfo Dominguez SA	Spain	designer house
Inditex - Zara	Spain	general
ISNA Group SA	Spain	general
Hennes & Mauritz AB	Sweden	general
JC Jeans AB	Sweden	specialist - jeanswear
Kappahl AB	Sweden	general
AB Lindex	Sweden	general
Peak Performance	Sweden	specialist -sportswear
Beldona AG	Switzerland	specialist - lingerie
Charles Veillon SA	Switzerland	general
Charles Vogele	Switzerland	general
Alexon Group PLC	United Kingdom	general
Austin Reed Group	United Kingdom	general
The Burton Group	United Kingdom	general
Jaeger / Viyella	United Kingdom	general
Foster Menswear Ltd	United Kingdom	general
Marks & Spencer PLC	United Kingdom	general
New Look	United Kingdom	general
Next PLC	United Kingdom	general
Oasis Stores PLC	United Kingdom	general
River Island Clothing	United Kingdom	general
Sears / Miss Selfridge Sears / Wallis Sears / Adams	United Kingdom	general general specialist - childrenswear
Storehouse / Bhs Storehouse / Mothercare	United Kingdom	general general
Tie Rack	United Kingdom	general

Major European Fashion Retailers with foreign market operations
Source : Corporate Intelligence on Retailing (1997)

Appendix 2

The Nature and Characteristics of the British Fashion Retail Market

1.1 The Nature and Characteristics of the British Fashion Retail Market.

Central to this study is the examination of the entry, by foreign fashion retailers, into the UK. By way of providing context, this section will therefore consider the structural characteristics of the UK fashion retailing section and will conclude by identifying the details of foreign fashion retailer participation within the UK.

In terms of market value, consumer spending on all types of clothing in the UK was worth £26.8 bn (including VAT) in 1998, a rise of 6.3% on the previous year. In 1998, 6.9% of household expenditure was spent on clothing, a rise of 24% since 1971 (Mintel, 1999). These increases in consumer expenditure on clothing perhaps mask the recessionary conditions of the first half of the 1990's, where clothing retailing was the most adversely affected of all retail sectors by the economic downturn in 1990 - 1993. (Corporate Intelligence on Retailing, 1997). During this time, all retail sales rose by an average of 4.6 per cent annually, while clothing sales increased by only 2.5 per cent per year. In the context of difficult trading conditions, many British clothing retailers engaged in price discounting leading to intense price competition within the market. With the improvement in economic conditions since 1995 and the resultant rise in disposable incomes, clothing retailers nevertheless have had to maintain low price levels since their customers appear to have retained the price-consciousness derived from the early part of the decade. As a result, accelerating clothing sales have come from rising volumes rather than rising prices.

In terms of the structure of the British fashion retailing sector, the ONS Retail Inquiry (1996) recorded 12,256 specialist retail clothing businesses operating 30,107 outlets in 1994. In common with other Northern European markets, the trend within the British market has been the decline in the number of clothing retail businesses and the number of outlets, as illustrated by Table 1 for the period 1980 to 1994.

Year	1980	1990	1992	1993	1994
Number of Businesses	30,240	25,494	21,347	13,583	12,256
Number of Outlets	47,833	45,453	40,343	29,893	30,107

Table 1 : Number of Specialist Retail Clothing Businesses and Outlets 1980 - 1994.
Source : ONS ; Business Monitor SDA 25.

According to Corporate Intelligence on Retailing (1997), there are four main retail channels for the sale of clothing in the UK - the specialists, (multiples and independents), the 'variety' stores (e.g. Marks and Spencer, Bhs and Littlewoods), the department stores and mail order catalogues. Cumulatively, these account for over 90 per cent of all sales. Table 2 identifies the share of clothing sales by each channels in the UK in 1998. Included in the 'others' category are secondary channels such as supermarkets, (which are rapidly growing in importance), and sports goods outlets, which are a significant conduit for the distribution of casual and leisurewear.

Category	Sales (£mn)	% of distribution
Clothing specialists	8,305	43.5
Variety stores	3,900	20.4
Department stores	2,500	13.1
Mail order	2,650	13.9
Others	1,750	9.1
Total	19,105	100.0

Table 2 : Clothing Sales by Main Channel of Distribution in 1998 Source : Mintel (1999)

In numerical terms, the British retail clothing sector is dominated by single-outlet, family-owned businesses, but while these independent businesses accounted for 80% of the total number of retail fashion businesses, approximately 40% of the number of outlets, their share of the market, in value terms was reported to be in the region of 21% in 1998 (Verdict, 1999) As such, market power, as measured by share of sales, is confined unequivocally to a small number of multi-outlet firms, the largest 15, with annual sales of over £100 million, accounting for over one third of sales in 1998 (Verdict, 1999).

The market significance of the multi-outlet fashion retailers is further detailed in Table 3, with

firms with over 100 outlets accounting for 52.6% of sales compared to the 15.8% share

enjoyed by single outlet firms in 1998.

Number of outlets	Sales (£m) Mens'wear	Sales (£m) women's	Total	%age of total Men's	%age of total women's	Total
1	1,093	1,869	2,962	17.2	15.1	15.8
2 - 9	870	1,321	2,191	13.7	10.7	11.7
10 - 99	1,285	2,436	3,721	20.3	19.7	19.9
100 +	3,097	6,745	9,842	48.9	54.5	52.6
all businesses	6,345	12,371	18,716	100.0	100.0	100.0

Table 3 : UK : Breakdown of Clothing Sales by Size of Business, 1998 Source : Mintel (1999)

As has been indicated, the UK clothing market is highly fragmented. Market power, as

measured by market share (both in values and volume terms), access and representation within

the country's shopping locations, as well as the determination of the latest fashion trends, is

concentrated and retained by a few powerful groups. (Verdict, 1999). Table 4 lists the leading

retailers of clothing within the UK in 1998.

Retailer	Estimated clothing sales £mn	%age market share
Marks and Spencer	2,850	14.9
The Burton Group / Arcadia	1,575	8.2
Sears	920	4.8
GUS	800	4.2
C & A	780	4.1
Storehouse	704	3.7
Littlewoods	670	3.5
Next	650	3.4
JLP	370	1.9
House of Fraser	350	1.8
ASDA	250	1.3
River Island	240	1.3
Grattan	220	1.2
Co-ops	209	1.1
Etam	197	1.0
Total of above	10,785	56.4

Table 4 : Leading Retailers of Clothing in the UK, 1998 Source : Mintel (1999).

The complexity of fashion retailing within the UK is exemplified by Table 4, with each of the

four channels of clothing distribution identified previously, represented by at least one

company. Marks and Spencer, the variety retailer which sells clothing and footwear alongside

substantial volumes of food (£2.7 bn in 1996/97) and household goods, and The Burton Group/Arcadia, have both enjoyed a significant market share lead for a generation. The Burton Group/ Arcadia, addressing the mainstream fashion market through a portfolio of segment-targeted chains and the Debenhams department store network, (which was de-merged in 1998 forming two separate groups; Arcadia for the specialist chain portfolio and Debenhams for the department store division), was the UK's largest clothing retailer in terms of store numbers and selling space.

The other leading retailers include the variety and mail order chain, Littlewoods, as well as the department store groups, John Lewis Partnership and House of Fraser. Mail order are also significant in British fashion distribution, with GUS, (which focuses in the main upon mail order but also owns the Burberry and Scotch House specialist chains), and Grattan included in Table 4. The inclusion of the food superstore operator ASDA among the list of the UK's leading clothing retailers serves to underline the success of their 'George' fashion range. It is a stated corporate objective on the part of Asda to become second only to Marks and Spencer as the UK's leading clothing chain (Mintel, 1998).

An important feature of British fashion retailing is the extent to which the leading British fashion retailers either exclusively or predominately sell products marketed under their own name. Corporate intelligence on Retailing (1997) estimated own-brand penetration within the UK to be in excess of 60 per cent of total sales in 1996, the highest level of any market within Western Europe. The fashion own-brand has been identified as an important means of creating a differentiated image for the retailer, (Lewis and Hawksley, 1990), and it is clear that many of the UK's leading fashion retailers have developed strong own-brands which serve to encapsulate, and communicate, their market positioning relative to the competition. Specialist clothing multiples, such as Next, Jigsaw and Oasis, have invested heavily in the development of

their own brands, targeting these to precisely defined customer segments, and now classify these as important business assets (Moore and Murphy, 2000).

While the development of the fashion own-brand has proved highly successful for the retailers concerned, these initiatives have been to the detriment of manufacturer brands who have lost considerable market share in the past fifteen years (Verdict, 1999) In addition, it has been suggested that the increasing domination of retailer brands, closely allied to their concentration of market power as well as the corresponding reduction in the number of independent fashion retailers has resulted in the dilution of consumer choice.

These conditions of market power concentration confined to a relative few, multi-outlet and publicly-owned fashion retailing groups which enjoy significant customer loyalty to their own-brands, (albeit perhaps of a lack of choice alternatives), would perhaps make the UK retail fashion market appear as one which is unattractive to new entrants, whether these be domestic or foreign. Despite these potential barriers, the British market has proved attractive to a small but increasing number of foreign fashion retailers, (Moore et al, 2000). The following section will identify these firms, and their country of origin.

1.2 Entry by Foreign Fashion Retailers into the British Fashion Market.

The 1994 Retail Enquiry stated that there were 12,256 clothing retailers in the UK, of which 49 have been identified as 'foreign-owned, main-stream clothing retailers', operating 941 stores between them, equivalent to 3% of the total number of clothing stores in the UK. (Corporate Intelligence on Retailing, 1997, Among those identified in this group are retailers such as C&A, Benetton and The Gap. In addition, there are at least 34 international, non-British fashion designers with boutiques in the UK, the majority of which are located in Central

London. The remainder of this section will seek to identify the country of origin and trading

characteristics of these 'main-stream' and 'international fashion designer' retailers.

1.3 Main-stream Clothing Retailers

Of the main-stream general fashion retailers, (the term used by Corporate Intelligence, 1997),

operational within the UK in 1998 is Benetton from Italy, with 380 stores, followed by the

Netherlands' C&A with 190 stores. It should be noted at this point that C&A plan to close all

of their UK stores by March 2001. (Verdict, 2000). From the USA, The Gap with 50 stores

and Levi Strauss with 37 are identified as the next most important foreign entrants in terms of

the number of UK stores. However, while foreign fashion retailers, such as Benetton and The

Gap have developed sizeable UK operations, the majority of the other foreign companies

operate between one and six outlets (Verdict, 2000).

While the American main-stream fashion retailers may have the highest representation in the

UK in terms of the number of businesses, the majority came late to the UK, mostly from the

late 1980's onwards. Table 5 identifies these American fashion retailers in the UK, as well as

the number of stand-alone outlets they operated at the end of 1998.

Name of Retailer	Number of outlets
Episode	6
Espirit	16
Guess	1
Lands End	2
Levis Strauss	37
Liz Claiborne	3
Marlboro Classics	2
Oshkosh B'Gosh	2
Rochester Big and Tall	1
Sulka and Co	1
Talbots	5
Timberland	4
The Gap	50
TK Maxx	18

Table 5 : American Clothing Retailers in the UK, 1998 Source : Mintel (1998)

The Gap, the largest American fashion retailer in the UK entered the market in 1987 and with

sales in excess of £150 million in 1998, the British market is now the third largest for the firm,

after the USA and Canada. Levi Strauss' sales in the UK in 1998 were in excess of £170

million, a sizeable proportion of which came from their wholesale business. Unlike The Gap,

Levis Strauss stores in Britain are operated through a franchise network and the company has

been active in market development through the development of formal fashion ranges, (Dockers

and Ben Sherman), in order to compliment their casual jeanswear offering (Mintel, 1999,

Verdict, 2000).

An important development on the part of the main American fashion retailers has been their

introduction of large factory outlets at discounted prices. In 1996, The Gap opened their first

UK factory outlet in the Cheshire Oaks discount village, while Levi's by the beginning of 1997,

had 5 Big L factory outlets in operation. All of these were subsequently closed in 1999 due to

poor sales performance. (Verdict, 2000). TK Maxx, which operates as TJ Maxx in the USA,

had 22 'off-price' stores in the UK in 1998. Their concept, (unique within the UK), comprises

of offering up to 50,000 lines at any one time of branded fashion for men, woman and children

with discounts of up to 60%. With an average sales area of 25,000 sq.ft., the company have

centred their expansion on shopping centres in provincial towns and cities. The company

projected in 1998 that the UK market could sustain up to 100 of these outlets (Verdict 1999,

2000; Mintel, 1999, 2000)

French fashion retailers were amongst the first to enter into the UK mass-market in a wave that

began in the mid-1980's. French operators within the UK are identified in Table 6.

Name of Operation	No. of stand-alone outlets
Agnes b	4
Astuces	3
Bonpoint	2
Chipie	1
Damart	25
Formes	2
HOM	1
Jacadi	12
Kookai	19
Lacoste	3
Morgan	17
Naf Naf	3
Rodier	4

Table 6 : French clothing retailers in the UK, 1997 Source : UK Retail Report Corporate Intelligence on Retailing (December 1997)

Of these, the young female fashion retailer, Kookai, has been the most successful. Under a franchise agreement with Groupe Andre, who own the Kookai brand, and the British clothing distribution company, Adjustbetter, (which received stock market listing in September 1996), Kookai aim to have 70 stand-alone outlets / concessions in the UK by the end of 2000 (Mintel, 2000). French retailer entrants to the UK have tended to focus upon three fashion markets; childrenswear (Bonpoint, Jacadi, Chipie), lingerie (Hom, Formes) and youth fashion (Morgan, Kookai, Lacoste, Rodier).

German fashion retailers, perhaps because of their large and prosperous domestic market have not historically felt the need to look for growth opportunities abroad. Table 7 presents details of German fashion companies with UK outlets. The three largest, Escada, Mondi and Ouiset are similarly positioned to provide clothing for the professional woman aged 30-50.

Name of Operation	Number of stand-alone outlets
Aigener	1
Escada	2
Mondi	10
Ouiset	10
Strenesse	1

Table 7 : German Clothing Retailers in the UK, 1997 Source : UK Retail Report Corporate Intelligence on Retailing (December 1997)

1.4 Fashion Designer Retailers

As well as main-stream fashion designers from abroad, the UK has attracted a significant number of international fashion design houses. 34 international fashion houses have been identified as having boutiques within the UK, (Corporate Intelligence on Retailing, 1997). The identification of these companies is based upon their having a twice-yearly catwalk show, selling merchandise under their own-label, as well as operating in more than one country for at least two years. It would appear that Central London, and principally the premier shopping areas of Bond and Sloane Streets, have re-emerged in the mid-1990's as important centres for high fashion retailing, having suffered a severe slump in the late 1980's, as evidenced in the large number of fashion designers exiting from London or moving to smaller premises within the Capital. The focus upon Bond and Sloane Streets by the foreign fashion designer houses contrasts with the locational characteristics of British fashion houses who have been confined to the less fashionable streets in Mayfair and Knightsbridge because they cannot afford the high prices of the prime fashion streets (Fernie et al, 1998). Table 8 provides a full listing of the foreign designer stores located in Central London in 1997.

Fascia	Country of origin	Location of store	District	Date of opening	Area (sq. ft)	No of floors
Anna Molinari	Italy	Bond St	Mayfair	1995	1,100	2
Armani - Emporio	Italy	Long Acre	Covent Garden	1992	--------	1
Armani - Emporio	Italy	Brompton Rd	Knights bridge	1990	--------	1
Armani - Emporio	Italy	Bond St	Mayfair	1993	4,700	1
Armani - Giorgio	Italy	Sloane St	Knights Bridge	1995	12,500	2
Celine	France	Brompton Rd	Knights Bridge	1969	-------	2
Chanel	France	Sloane St	Knights Bride	1988	-------	1
Chanel	France	Bond St	Mayfair	1981	-------	1
Christian Dior	France	Sloane St	Knights Bridge	1993	-------	1
Christian Lacroix	France	Bond St	Mayfair	1994	-------	1
Christian Lacroix	France	Sloane St	Knights bridge	1992	-------	1
Comme des Garcons	Japan	Davies St	Mayfair	1988	-------	------
Dolce & Gabbana	Italy	Sloane St	Knights bridge	1994	4,000	1
Donna Karan	USA	Bond St	Mayfair	1996	9,442	3
Donna Karan DKNY	USA	Bond St	Mayfair	1994	12,300	4
Emanuel Ungaro	Italy	Sloane St	Knights bridge	1991	-------	------
Fendi	Italy	Conduit St	Mayfair	1988	-------	------
Gianfranco Ferre	Italy	Sloane St	Knights bridge	1995	-------	------
Gianfranco Ferre	Italy	Brook St	Mayfair	1987	-------	-------
Gianfranco Ferre	Italy	Brompton Rd	Knights bridge	1988	-------	------
Gianni Versace	Italy	Bond St	Mayfair	1995	-------	------
Gianni Versace - Istante	Italy	Sloane St	Knights bridge	1995	-------	------
Gianni Versace - Versus	Italy	Brompton Rd	Knights bridge	1987	-------	------
Gucci	Italy	Bond St	Mayfair	1967	-------	-------
Gucci	Italy	Sloane St	Knights bridge	1990	-------	------
Guy Laroche	France	Bond St	Mayfair	1993	--------	1
Hermes	France	Bond St	Mayfair	1974	3,178	1

Hermes	France	Sloane St	Knights bridge	1987	3,218	2
Hugo Boss	Germany	Regent St	Mayfair	1994	6,5000	2
Iceberg	Italy	Brompton Rd	Knights bridge	1992	--------	------
Issey Miyake	Japan	Brompton Rd	Knights bridge	1991	--------	------
JP Gaultier	France	Draycott Ave	Kensington	1991	--------	------
Kenzo	France	Sloane St	Knights bridge	1993	--------	------
Lanvin	France	Brompton Rd	Knights bridge	1987	--------	------
Lanvin	France	Bond St	Mayfair	1987	--------	------
Loewe	Spain	Bond St	Mayfair	1978	--------	------
Loius Feraud	France	Bond St	Mayfair	1988	--------	------
Max Mara	Italy	Bond St	Mayfair	1991	--------	------
Max Mara	Italy	Sloane St	Knights bridge	1988	--------	------
Oscar de la Renta	USA	Savile Row	Mayfair	1988	--------	------
Paul Costelloe	Ireland	Brompton Rd	Knight bridge	1994	--------	------
Paul Costelloe	Ireland	Pelham St	Kensington	1996	--------	------
Polo Ralph Lauren	USA	Bond St	Mayfair	1981	--------	------
Prada	Italy	Sloane St	Knights Bridge	1994	5,980	1
Romeo Gigli	Italy	South Molton St	Mayfair	1987	--------	------
Romeo Gigli	Italy	South Molton St	Mayfair	1986	--------	------
Sonia Rykiel	France	South Molton St	Mayfair	1986	--------	------
Thierry Mugler	France	Bond St	Mayfair	1995	--------	------
Valentino	Italy	Bond St	Mayfair	1985	--------	------
Valentino	Italy	Sloane St	Knights bridge	1982	4,600	1
Yves Saint Lauren	France	Bond St	Mayfair	1971	--------	------
Yves Saint Lauren	France	Sloane St	Knights Bridge	1966	--------	------

Table 8 : Foreign Fashion Designer Outlets in Central London, 1997

Source : UK Retail Report Corporate Intelligence on Retailing (December 1997) .

Many of the outlets identified above are flagship stores which have been opened to generate publicity, enhance the market prestige of the brand and so boost wholesale and concession sales within department stores and other outlets within the UK, with some companies prepared to pay in excess of £10 million in order to acquire and fit-out their required sites in these locations

In addition, many international designer fashion retailers have engaged in diversification strategies in order to capture a wider market share within domestic and foreign markets. In particular, the premium priced fashion retailers, recognising the growth in clothing expenditure and interest in designer fashion within the 'middle market', have developed diffusion brands, consisting of cheaper ready-to-wear casual, jeanswear and sportswear lines. These ranges are typically branded separately, and help to form a 'hierarchy of brand exclusivity', which are differentiated by price, styling and target markets. In order to differentiate offers and to avoid customer confusion, these brands are normally sold within separate stores and under different fascia names. (Fernie, et al, 1998). An example of the diversification strategy adopted by one international fashion company, Armani Spa of Italy, who operate stores in the UK, is illustrated in Table 9.

Company / Brand Name	Market Segment
Giorgio Armani	Wealthy Capital City-based men and women aged 35 +
Emporio Armani	Affluent, youth / young professionals aged 15-35
Armani Jeans	

Table 9 : Market Diversification by Armani Spa of Italy Source : Fernie et al, (1997).

Through the development of distinctive business formats, based upon a middle-market positioning, these fashion retailers have been able to widen their brand appeal from the high end of the market so as to gain access to the middle ground characterised by medium margins but high turnovers. As well as this diversification into other consumer segments, many international fashion houses have extended their core product offering to include casualwear, home furnishings and personal accessories, much of which is manufactured under licensing agreements with selected suppliers in order to increase sales volume. For example, the American fashion designer, Ralph Lauren's company has signed licensing agreements with 26

companies to produce sunglasses, hosiery, household paints and bed linen (Corporate Intelligence on Retailing, 1997).

The extension of ranges has had an impact at site level. In order to accommodate extended ranges, stores such as Gucci, Polo Ralph Lauren and Donna Karan, have increased the size of their London stores by as much as 400%, and now operate multi-level stores. In order to secure good locations within the most fashionable areas for both their main line and separate diffusion ranges, the international designer houses have invested in extensive store refurbishment programmes, have sought to secure better sites in premium areas by buying-out sitting tenants and there have been reports that companies, such as Ralph Lauren and Versace, pay an annual rental of £1 million for Bond Street. These conditions are not confined to Central London, but similar patterns of development have also been found within New York (Moore et al, 2000).

Returning to the listing of international fashion designers provided in Table 8, as has been traditionally been the case, French fashion designers have the highest representation within London, closely followed by the Italians. American representation is relatively small, but is highly significant, with the Polo Ralph Lauren and Donna Karan DKNY brands enjoying high sales, significant press exposure and high levels of consumer recognition (Fernie et al, 1997). Arguably the most successful of the American designer fashion brands, the Calvin Klein Company, have achieved considerable success within the UK through wholesale distribution to carefully selected prestige retailers, but not through stand-alone stores. In order to further develop their UK market success and to act as a platform for their marketing communications strategy, Calvin Klein have opened a flag-ship store in London, and are to operate a chain of ten retail stores within major British cities, under a franchise agreement Corporate Intelligence on Retailing, 1997). In line with Calvin Klein's future expansion plans within the UK, Fernie et

al, (1997) predict that other foreign fashion retailer are unlikely to extend their premium brands outside of Central London.

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However, with the development and continued success of diffusions ranges, it has been predicted that these will be extended through stand-alone outlets within Britain's main cities. For example, Glasgow has emerged as the UK's second fashion city, with Hugo Boss, Armani, Christian Lacroix and Versace among the leading fashion designers based there (Mintel, 1999). Other fashion designers, including Donna Karan and Tommy Hilfiger announced plans for stores in Manchester, Glasgow and Leeds, while the UK fashion-led department store groups, including Selfridges and Harvey Nichols, have recognised that the entry of foreign fashion designers has stimulated considerable interest and demand throughout the UK for the major premium brands. As a result, these department store retailers have committed themselves to provincial expansion, away from their current Central London focus on order to capitalise upon the opportunities for high fashion sales within these areas (Fernie et al, 1997).

Appendix 3

First Research Phase Questionnaire

English
French
Italian
German

1. **For how many years have you EXPORTED into foreign markets ? (Please tick)**

less than 2 years	
2 - 5 years	
6 - 10 years	
11 - 20 years	
more than 20 years	
Do not export	

1 b. **For how many years have you OPERATED RETAIL OUTLETS within foreign markets ?**

less than 2 years	
2 - 5 years	
6 - 10 years	
11 - 20 years	
more than 20 years	

2. **For how long have you EXPORTED into the United Kingdom market ? (Please tick)**

less than 2 years	
2 - 5 years	
6 -10 years	
11 - 20 years	
more than 20 years	
Never	

2 b. For how long have you OPERATED RETAIL OUTLETS within the United Kingdom market ? (Please tick)

less than 2 years	
2 - 5 years	
6 -10 years	
11 - 20 years	
more than 20 years	

3. How long had your company been established before you began to EXPORT into foreign markets ? (Please tick)

less than 2 years	
2 - 5 years	
6 -10 years	
11 - 20 years	
more than 20 years	
Not applicable	

3 b. How long had your company been established before you began to OPERATE RETAIL OUTLETS within foreign markets ? (Please tick)

less than 2 years	
2 - 5 years	
6 -10 years	
11 - 20 years	
more than 20 years	

4. How many countries do you currently EXPORT to ?

Number of Countries ....

4 b. How many countries do you currently OPERATE RETAIL OUTLETS in ?

Number of Countries ....

5 How many OVERSEAS RETAIL OUTLETS does the company have which are :-

Company owned, stand-alone ....
Franchise stores ....
Shop-in-Shops / Concessions ....
Other (Please specify).........................

6. **Which were the first three countries that the company EXPORTED into ?**

1st Country	
2nd Country	
3rd Country	
Not applicable	

6 b. **Which were the first three countries that the company OPENED RETAIL OUTLETS (such as company owned, stand-alone stores, franchise stores in-store concessions etc...) ?**

1st Country	
2nd Country	
3rd Country	

7. **Which was the most recent country that your company began to EXPORT to for the first time ?**

....

7 b. **Which was the most recent country within which your company opened RETAIL OUTLETS for the first time ?**

....

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SECTION 2 - REASONS FOR INTERNATIONAL MARKET INVOLVEMENT

This Section seeks to establish the motivations which led your company to engage in international expansion either through exporting, the opening of retail outlets or both.

</div>

8. **What level of influence did each of the following factors have upon your company's decision to engage in international expansion ?**
   (Please circle using the following scale)

   1 = No influence
   2 = Slight influence
   3 = Moderate influence
   4 = Strong influence
   5 = Very strong influence
   6 = Don't know

Niche opportunities in foreign markets	1	2	3	4	5	6
Limited growth opportunities in home market	1	2	3	4	5	6
Offers from foreign retailers / partners	1	2	3	4	5	6
Favourable exchange rates	1	2	3	4	5	6
Excessive legal restrictions in the home market	1	2	3	4	5	6
Size of foreign markets	1	2	3	4	5	6
Format saturation in the domestic market	1	2	3	4	5	6
Senior management committed to inter-nationalisation	1	2	3	4	5	6
Availability of a brand with an international appeal	1	2	3	4	5	6
Maturity of market share within the domestic market	1	2	3	4	5	6
Maturity of the brand within the domestic market	1	2	3	4	5	6
Increased levels of competition at home	1	2	3	4	5	6
Lack of significant competition abroad	1	2	3	4	5	6
Level of economic prosperity in foreign markets	1	2	3	4	5	6
Capitalise upon an innovative retail formula	1	2	3	4	5	6
Home diversification opportunities exhausted	1	2	3	4	5	6
Prestige associated with foreign markets	1	2	3	4	5	6
Relaxed regulatory conditions abroad	1	2	3	4	5	6
Retail format under-developed abroad	1	2	3	4	5	6

Please make any additional comments here :

....

....

....

9. What level of influence did each of the following factors have upon your decision to enter the UNITED KINGDOM MARKET, in particular ? (Please circle using the following scale)

1 = No influence
2 = Slight influence
3 = Moderate influence
4 = Strong influence
5 = Very strong influence
6 = Don't know

Niche opportunities in the UK market	1	2	3	4	5	6
Offers from UK retailers / partners	1	2	3	4	5	6
Favourable exchange rates	1	2	3	4	5	6
Size of UK market	1	2	3	4	5	6
Senior management committed to UK entry	1	2	3	4	5	6
Availability of a brand appealing to UK consumers	1	2	3	4	5	6
Level of economic prosperity in UK market	1	2	3	4	5	6
Capitalise upon a retail formula seen as innovative in UK	1	2	3	4	5	6
Prestige associated with UK market	1	2	3	4	5	6
Relaxed regulatory conditions in the UK	1	2	3	4	5	6
Retail format under-developed in the UK	1	2	3	4	5	6
Lack of significant competition in the UK	1	2	3	4	5	6

Please make any additional comments here :

....

....

SECTION 3 - ENTRY INTO INTERNATIONAL MARKETS

This section seeks to identify the methods that your company adopts in order to establish RETAIL OUTLETS in foreign markets, to understand the adaptations that the company must make in doing so, as well as to identify the factors which affect the success or failure of operating outlets within the UK.

---

10. Please indicate which of the following entry methods your company has adopted for foreign market entry : (Please circle YES or NO)

	YES	NO
Set up own store(s)		
Joint venture with foreign retailer		
Franchising		
In-store concession / Shop in shop		
Acquisition : Majority stake		
: Minority stake		
Wholesale agreement		

10b. Of those identified above, which methods were used for entry into the UK (Please circle YES or NO)

Set up own store(s)	Yes	no
Joint venture with foreign retailer	Yes	no
Franchising	Yes	no
In-store concession / Shop in shop	Yes	no
Acquisition : Majority stake	Yes	no
: Minority stake	Yes	no
Wholesale agreement	Yes	no

Other (please specify)..

12. On entering the United Kingdom market, did your company modify any of the following:- (Please tick YES, NO or Don't Know)

Product Range -   Yes   No   DON'T KNOW

	Yes	No	DON'T KNOW
• the product brand name			
• the choice of styles			
• fabrics			
• labelling			
• customer care instructions			
• sizing			
• packaging			
• colours			

Price levels -   YES   NO   DON'T
KNOW

	YES	NO	DON'T KNOW
• higher			
• lower			

Advertising   YES   NO   DON'T KNOW

	YES	NO	DON'T KNOW
• media used			
• message content			
• method of management control (e.g. shift from in-house to UK advertising agency)			

Promotional Activities   YES   NO   DON'T KNOW

	YES	NO	DON'T KNOW
• promotional methods			
• frequency of promotions			

Store interiors / Merchandising methods   YES   NO   DON'T KNOW

	YES	NO	DON'T KNOW
• fixtures and fittings			
• methods of merchandise presentation			
• window displays			
• store layout			

Customer Service   YES   NO   DON'T
KNOW

	YES	NO	DON'T
• range of services offered			

Please make any additional comments here :

....

....

**13. How important are the following factors in determining whether
your operation within the United Kingdom is successful or otherwise?
(Please circle using the following scale)**

1 = Of no importance
2 = Of slight importance
3 = Of moderate importance
4 = Of high importance
5 = Of great importance
6 = Don't Know

Firm's broad marketing expertise	1	2	3	4	5	6
Selling and promotional techniques	1	2	3	4	5	6
Product/ Merchandise line	1	2	3	4	5	6
Management Commitment	1	2	3	4	5	6
Customer Service offered	1	2	3	4	5	6
Unique retail formula	1	2	3	4	5	6
Close relationships with suppliers	1	2	3	4	5	6
Appealing brand	1	2	3	4	5	6
Financial control and monitoring	1	2	3	4	5	6
Firm's prestigious reputation	1	2	3	4	5	6
Large size of the firm	1	2	3	4	5	6
Small size of the firm	1	2	3	4	5	6
Marketing research	1	2	3	4	5	6
Pricing strategy	1	2	3	4	5	6
Distribution competence	1	2	3	4	5	6
Retailing 'know-how' skills	1	2	3	4	5	6
Company / store image	1	2	3	4	5	6

Competence in English	1	2	3	4	5	6
Experience gained from other foreign markets	1	2	3	4	5	6
Close geographic proximity to the UK	1	2	3	4	5	6

Please make any additional comments here :

....

....

14. To what extent do the following factors present problems for your operation within the United Kingdom ? (Please circle using the following scale)

1 = Not at all
2 = To a minor extent
3 = To some extent
4 = To a significant extent
5 = To a very significant extent

High levels of competition	1	2	3	4	5
Availability of suitable trading partners	1	2	3	4	5
Government regulations	1	2	3	4	5
Currency fluctuations	1	2	3	4	5
Differences in consumer tastes	1	2	3	4	5
Availability of suitable sites	1	2	3	4	5
Distribution costs	1	2	3	4	5
Financial costs	1	2	3	4	5
Insufficient market knowledge	1	2	3	4	5
Price competitiveness	1	2	3	4	5
Strength of fashion retailer brands in the United Kingdom	1	2	3	4	5
Strength of customer loyalty to British retailers	1	2	3	4	5
Language difficulties	1	2	3	4	5
Adaptation of the retail formula to suit market needs	1	2	3	4	5
Lack of senior management support for United Kingdom market	1	2	3	4	5
Availability of suitable management & staff	1	2	3	4	5

Please make any additional comments here :

....

....O

Finally, it would be helpful if you could provide us with the following information related to your company.

15. **What percentage contribution of total sales is accounted for by overseas sales ?**

Less than 5%	
5 -10%	
11 - 20%	
21 - 30%	
31 - 40%	
41 - 50%	
over 50%	

16. **What percentage contribution of total sales is accounted for by United Kingdom sales ?**

Less than 5%	
5 -10%	
11 - 20%	
21 - 30%	
31 - 40%	
41 - 50%	
over 50%	

17. **Name of Respondent** ....
    Position in Company ....
    Telephone Number ....

18. **Company Name** ....
    Address ....

We would be happy to provide you with a copy of the research findings. Please indicate whether you would be interested in receiving these in due course.

YES	
NO	

Further research is planned which will look at the key issues associated with the internationalisation of retailing, and in particular, entry into the United Kingdom market. In order to achieve this, it is proposed that short, informal interviews will take place with fashion retailers with interests within the United Kingdom.

If you or your company would be willing to grant some time for this important and confidential research, please tick the box below.

Yes, we would consider participating

Many thanks for spending the time to complete this questionnaire. Your co-operation is much appreciated.

SECTION 1 - ACTIVITÉS SUR LE MARCHÉ INTERNATIONAL

Dans cette section, nous vous demandons des informations de base sur vos activitiés actuelles sur le marché international :

Définitions : -

EXPORTATION : la distribution de vos produits vers des marchés à l'étranger, soit par la vente en gros, soit par des exportateurs ou des autres agents, mais **non pas directement** à travers des points de vente portant le nom de votre marque ou de votre entreprise;

VENTE À DÉTAIL : la distribution **directe** de vos produits dans les marchés étrangers à travers des magasins franchisés, des commerces appartenant à votre entreprise et / ou des points de vente loués dans un autre commerce portant le nom de votre marque ou de votre entreprise.

(Veuillez cocher les cases correspondantes)

1. **Depuis combien de temps avez-vous éffectué des exportations vers les marchés à l'étranger ?**

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	
Nous n'exportons pas	

1 b. Depuis combien de temps avez-vous détenu des points de vente à l'étranger ?

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	

2. **Depuis combien de temps avez-vous exporté vers le marché britannique ?**

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	
Jamais	

2 b. Depuis combien de temps avez-vous détenu des points de vente sur le marché britannique ?

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	

3. Depuis combien de temps votre entreprise existait-elle déjà avant de commencer à exporter vers les marchés étrangers ?

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	
Ne s'applique pas	

3 b. Depuis combien de temps votre entreprise existait-elle déjà avant d'exploiter des points de vente sur les marchés étrangers ?

moins de 2 ans	
entre 2 et 5 ans	
entre 6 et 10 ans	
entre 11 et 20 ans	
plus de 20 ans	

4. Vers combien de pays exportez-vous actuellement ?

Nombre de pays ....

4 b. Dans combien de pays détenez-vous des points de vente ?

Nombre de pays ....

5 Votre entreprise combien de points de vente détient-elle à l'étranger

qui appartiennent exclusivement à l'entreprise elle-même ....
qui sont franchisés exclusivement pour la vente de vos produits ....
qui sont loués a l'intérieur d'un autre magasin ? ....

Veuillez préciser, le cas échéant, d'éventuels autres points de vente ....
....

6. Quels étaient les trois premiers pays vers lesquels vous avez exporté ?

1er pays	
2ème pays	
3ème pays	
Ne s'applique pas	

6 b. Quels étaient les trois premiers pays dans lesquels vous avez ouvert des points de vente (appartenant à votre entreprise, franchisés etc...) ?

1er pays	
2ème pays	
3ème pays	

7. Vers quel pays votre entreprise a-t-elle commencé à exporter le plus récemment ?

....

7 b. Dans quel pays votre entreprise a-t-elle ouvert - pour le première fois - des points de vente le plus récemment ?

....

SECTION 2 - MOTIFS DES ACTIVITES SUR LE MARCHE INTERNATIONAL

Dans cette section, nous tenons à vous demander les motifs qui ont amené votre entreprise à exploiter le potentiel international à travers les exportations et / ou l'ouverture de points de vente.

---

8. Quelle était l'influence relative des éléments suivants qui a amené votre entreprise à se développer vers l'étranger ? (Veuillez indiquer votre choix en vous servant du barème repris ci-dessous)

1 = aucune influence
2 = influence faible
3 = influence moyenne
4 = influence forte
5 = influence très forte
6 = Ne sais pas

Découverte de crénaux sur les marchés étrangers	1	2	3	4	5	6
Perspectives de croissance restreintes sur le marché intérieur	1	2	3	4	5	6
Offres provenant de détaillants ou de pertenaires à l'étranger	1	2	3	4	5	6
Taux de change favorables	1	2	3	4	5	6
Réstrictions juridiques excessives sur le marché intérieur	1	2	3	4	5	6
Dimensions des marchés étrangers	1	2	3	4	5	6
Saturation atteinte sur le marché intérieur	1	2	3	4	5	6
Engagement en faveur de la mondialisation au niveau de la direction	1	2	3	4	5	6
Disponibilité d'une marque d'interêt international	1	2	3	4	5	6
Part de marché intérieur bien établie	1	2	3	4	5	6
Marque bien établie sur le marche intérieur	1	2	3	4	5	6
Concurrence accrue sur le marche intérieur	1	2	3	4	5	6
Concurrence négligeable sur le marché étranger	1	2	3	4	5	6
Prospérité économmique sur les marchés étrangers	1	2	3	4	5	6
Désir de tirer profit d'une formule de vente innovatrice	1	2	3	4	5	6
Possibilités de diversification épuisées sur le marché Intérieur	1	2	3	4	5	6
Prestige des marches internationaux	1	2	3	4	5	6
Systéme de contrôle moins sévère a l'étranger	1	2	3	4	5	6
Formule de vente insuffisamment exploitée a l'étranger	1	2	3	4	5	6

Autres (veuillez préciser) ....

9. Quelle était l'influence relative des éléments suivants qui a amené votre entreprise à entrer plus particulierement dans le marche britannique ? (Veuillez indiquer votre choix en vous servant du bàreme repris ci-dessous)

1 = aucune influence
2 = influence faible
3 = influence moyenne
4 = influence forte
5 = influence très forte
6 = Ne sais pas

Découverte de crénaux sur le marché britannique	1	2	3	4	5	6
Offres provenant de détaillants ou de partenaires britanniques	1	2	3	4	5	6
Taux de change favorables	1	2	3	4	5	6
Dimensions du marché britannique	1	2	3	4	5	6
Engagement en faveur de l'entrée dans le marché britannique au niveau de la direction	1	2	3	4	5	6
Disponibilité d'une marque susceptible d'intéresser les consommateurs britannique	1	2	3	4	5	6
Prospérité économique britannique	1	2	3	4	5	6
Dèsir de tirer profit d'une formule de vente considérée comme innovatrice au Royaume-uni	1	2	3	4	5	6
Prestige du marché britannique	1	2	3	4	5	6
Système de contrôle moins sévère au Royaume-uni	1	2	3	4	5	6
Formule de vente insuffisamment exploitée au Royaume-uni	1	2	3	4	5	6
Concurrence négligeable sur le marche britannique	1	2	3	4	5	6

Autres (veuillez préciser) ....

....

10. Les propositions qui suivent servent à expliquer quelques motifs d'internationalisation. Lesquelles de ces propositions s'appliquent à votre entreprise ? (Veuillez repondre en vous servant du barème ci-dessous)

1 = S'applique a 100%
2 = Ne s'applique pas
3 = Résponse neutre
4 = S'applique à un certain degré
5 = Ne s'applique pas de tout
6 = Ne se prononce pas

A l'origine, nous avons ouvert des points de vente a l'étranger à cause de difficultés sur le marché intérieur	1	2	3	4	5	6
A l'origine, nous avons ouvert des points de vente a l'étranger à cause des perspectives offertes par les marchés étrangers	1	2	3	4	5	6
Actullement, nous ouvrons des points de vente à l'éntranger à cause de difficultés sur le marché intérieur	1	2	3	4	5	6
Actullement, nous ouvrons des points de vente a l'éntranger à cause des perspectivés offertes par les marchés étrangers	1	2	3	4	5	6

SECTION 3 - ENTRÉE DANS LES MARCHÉS INTERNATIONAUX

Dans cette section, nous essayons de préciser les méthodes qu'utilise votre entreprise pour établir des points de vente à l'étranger, c'est-à-dire, comment elle s'adapte pour se developper sur le plan international. Nous cherchons également à identifier les éléments qui peuvent avoir des conséquences pour les succés, ou, le cas échéant, la faillite, des ponts de vente au Royaume-uni.

11. Veuillez préciser les méthodes que votre enterprise a utilisées pour entrer dans un marché éntranger. (Veuillez indiquer oui ou non)

	OUI	NON
Établissement d'un ou de plusieurs magasins indépendents		
Joint-venture (co-entreprise) avec un détaillant etranger		
Franchisage		
Points de vent loués a l'intérieur d'un autre magasin		
Prise de participations majoritaire		
Prise de participations minoritaire		
Accord de vente en gros		

Autres (veuillez préciser) ....

11b. Des méthods que vous indiquées ci-dessus, lesquelles avez-vous utilisées pour entrer dans le marche britannique ? (Veuillez indiquer OUI ou NON)

	OUI	NON
Établissement d'un ou de plusieurs magasins indépendents		
Joint-venture (co-enterprise) avec un détaillant ètranger		
Franchisage		
Points de vente loués à l'intérieur d'un autre magasin		
Prise de participations majoritaire		
Prise de participations minoritaire		
Accord de vente en gros		

Autres (veuillez préciser) ....

12. Après son entrèe dans le marché britannique, votre entreprise a-t-elle modifié les éléments suivants ? (Veuillez indiquer oui, non ou sans réponse)

Gamme de produits -	OUI	NON	SANS RÉPONSE
• Nom de la marque			
• Choix de modèles			
• Tissus utilisés			
• Étiquetage			
• Instructions de lavage et de soin			
• Tailles			
• Emballage			
• Couleurs			

Prix -	OUI	NON	SANS RÉPONSE
• Moins chers			
• Plus chers			

Publicite	OUI	NON	SANS RÉPONSE
• Les médias utilisés			
• Contenu			
• Organisation(p.ex. publicité confiée a une agence britannique au lieu d'être organisée dans le cadre de l'enterprise			

Activities promotionnelles	OUI	NON	SANS RÉPONSE
• Méthodes promotionelles			
• Fréquences d'activitiés promotionnelles			

Décoration du magasin / techniques marchandes	OUI	NON	SANS RÉPONSE
• Installations			
• Preséntation de la marchandise			
• Ételage			
• Disposition des lieux			

Service clientèle   **OUI**   **NON   SANS RÉPONSE**

• Gamme de services offerte			

Autres modifications (veuillez préciser)

....

....

13. **Quelle est l'importance relative des éléments suivants pour déterminer le succès, ou la faillite de vos activités au Royaume-uni ? (Veuillez répondre en vous servant du bareme repris ci-dessous.**

1 = aucune importance
2 = importance faible
3 = importance moyenne
4 = importance forte
5 = importance très forte
6 = Ne sais pas

	1	2	3	4	5	6
Expertise prononcée de l'enterprise au niveau de la commercialisation	1	2	3	4	5	6
Techniques de vente et de promotion	1	2	3	4	5	6
Lignes de produits / techniques marchandes	1	2	3	4	5	6
Gestion forte et accrocheuse	1	2	3	4	5	6
Service clientèle	1	2	3	4	5	6
Formulae de vente exceptionnelle	1	2	3	4	5	6
Rélations étroites avec les fournisseurs	1	2	3	4	5	6
Marque attachante	1	2	3	4	5	6
Réglementation et contrôle financiers	1	2	3	4	5	6
Prestige de l'entreprise	1	2	3	4	5	6
Dimensions de l'entreprise (grand commerce)	1	2	3	4	5	6
Dimensions de l'entreprise (petit commerce)	1	2	3	4	5	6
Recherches commerciales	1	2	3	4	5	6
Politiques des prix	1	2	3	4	5	6
Compétence en matière de la distribution	1	2	3	4	5	6
Vente au détail/savoir-faire/compétences	1	2	3	4	5	6
Image de marque de l'enterprise ou du magasin	1	2	3	4	5	6
Compétence linguistique en anglais	1	2	3	4	5	6
Expérience acquise sur d'autres marché étrangers	1	2	3	4	5	6
Promximité géographique du Royaume-uni	1	2	3	4	5	6

Autre (veuillez préciser) ....

....

14. À quel point les éléments suivants présentent-ils des problèmes pour ce qui est de vos activitiés sur le marché britannique ? (Veuillez repondre en vous servant du barème repris ci-dessous)

1 = Aucun probleme
2 = Problème mineur
3 = Problème relatif
4 = Problème majeur
5 = Problème tres important

Concurrence	1	2	3	4	5
Disponibilité de partenaires commerciaux appropriés	1	2	3	4	5
Réglementation gouvernementale	1	2	3	4	5
Variations des taux de change	1	2	3	4	5
Goûts différents se la part des consommateurs	1	2	3	4	5
Disponibilité de lieux appropriés	1	2	3	4	5
Coûts de distribution	1	2	3	4	5
Coûts de financement	1	2	3	4	5
Connaissances commerciales insuffisantes	1	2	3	4	5
Compétitivité des prix	1	2	3	4	5
Force des marques de mode britanniques	1	2	3	4	5
Fidelité des clients envers les détaillants britanniques	1	2	3	4	5
Problèmes linguistiques	1	2	3	4	5
Adaptation de la formule de vente aux besoins du marché	1	2	3	4	5
Insuffissance du soutien du marché britannique par la direction	1	2	3	4	5
Disponibilité d'administrateurs et de peronnel appropriés	1	2	3	4	5

Autres (veuillez préciser) ....

....

15. Vos ventes à l'étranger quelle partie de vos ventes totales représentent - elles ?

moins de 5%	
de 5 à 10%	
de 11 à 20%	
de 21 à 30%	
de 31 à 40%	
de 41 à 50%	
plus de 50%	

16. Vos ventes Royaune-uni quelle partie de vos ventes totales représentene-elles ?

moins de 5%	
de 5 à 10%	
de 11 à 20%	
de 21 à 30%	
de 31 à 40%	
de 41 à 50%	
plus de 50%	

17. Nom de la personne sondée ....
Poste au sein de l'entreprise ....
Numéro de téléphone ....

18. Nom de l'entreprise ....
Adresse ....

Si vous désirez recevoir une copie des résultats de ce questionnaire, vueillez l'indiquer ici.

OUI	
NON	

Des recherches supplémentaires sont prévues sur quelques autres aspects importants de i'internationalisation du secteur de vente, surtout pour ce que est de la percée dans le marché britannique. À cette fin, nous proposons de demander aux détaillants de mode ayant des intétêts sur le marché britannique de nous accorder un court entretien informel.

Seriez-vous prêt - ou votre entreprise serait-elle prête - à participer à cette enquête supplementaire et confidentielle ?

OUI	
NON	

NOUS VOUS REMERCIONS VIVEMENT DE VOTRE AIMABLE COLLABORATION.

SEZIONE 1 - PRESENZA SUL MERCATO INTERNAZIONALE

Scopo di questa sezione é reperire le informazioni di base relative all' attuale presenza dell'azienda sui mercati esteri.

Definizione dei termini :

- per esportazione si intende la distribuzione dei prodotti dell'azienda sui mercati esteri tramite grossisti, esportatori o agenti, ma non direttamente mediante punti di vendita al dettaglio esclusivi che operano con il marchio o il nome dell'azienda;

- per commercio al dettaglio si intende la distribuzione dei prodotti dell'azienda sui mercati esteri direttamente tramite negozi in franchising, negozi di proprietà dell'azienda e/o concessioni all'interno di grandi magazzini che operano con il marchio o il nome dell'azienda.

1. **Da quanti anni l'azienda esporta sui mercati esteri ? (tracciare una crocetta nel riquardo crrispondente)**

meno di 2 anni	
2 - 5 anni	
6 - 10 anni	
11 - 20 anni	
pui di 20 anni	
l'azienda non esporta	

1 b. **Da quanti anni l'azienda gestisce punti di vendita al dettaglio sui mercati esteri ?**

meno di 2 anni	
2 - 5 anni	
6 - 10 anni	
11 - 20 anni	
Piu' di 20 anni	

2. **Da quanto tempo l'aziende esporta in Gran Bretagna ? (tracciare una crocetta nel riquadro corrispondente)**

Meno di 2 anni	
2 - 5 anni	
6 -10 anni	
11 - 20 anni	
Piu' di 20 anni	
l'azienda non esporta in Gran Bretagna	

2 b. Da quanti anni l'azienda gestisce punti di vendite al dettaglio in Gran Bretagna ? (tracciare una crocetta nel riquadro corrispondente)

Meno di 2 anni	
2 - 5 anni	
6 -10 anni	
11 - 20 anni	
Piu' di 20 anni	

3. Per quanti anni ha operato l'azienda prima di iniziare ad esportare sui mercati esteri ? (tracciare una crocetta nel riquadro corrispondente)

Meno di 2 anni	
2 - 5 anni	
6 -10 anni	
11 - 20 anni	
Piu' di 20 anni	
Non interessa	

3 b. Per quanti anni ha operato l'azienda prima di aprire punti di vendita al dettaglio sui mercati esteri ? (tracciore una crocetta nel riquadro corrispondente)

Memo di 2 anni	
2 - 5 anni	
6 -10 anni	
11 - 20 anni	
Pui di 20 anni	

4. In quanti paesi esporta attualmente l'azienda ?

Numero di paesi ....

4 b. In quanti paesi l'azienda gestisce attualments punti di vendita al dettaglio ?

Numero di paesi ....

5   **Quanti somo I punti di vendite al dettaglio gestiti dall'azienda all'estero che si possono classificare come :**

        negozi indipendenti di proprietá dell'aziende ....

        negozi in franchising   ....

        concessioni all'interno di grange magazzini   ....

        altri casi (si prega di spcificare   ....

6.   **Quali sono stati I primi tre paesi in cui l'azienda ha esportato?**

1 paese	
2 paese	
3 paese	
Non interessa	

6 b.   **Quali sono stati I primi tre paesi in chi l'azienda ha aperto punti di vendita al dettaglio (es. negozi indipendenti di proprieta dell'azienda, negozi in franchising, concessioni all'interno di grand magazzini, ecc...)?**

1 paese	
2 paeae	
3 paese	

7.   **Qual é stato, in ordine di tempo, l'ultimo paese in chi l'azienda ha cominicato ad esportare ?**

....

7 b.   **Qual é stato, in ordine di tempo, l'ultimo paese in chi l'aziende ha aperto punti di vendite al dettaglio ?**

....

SEZIONE 2 - MOTIVI DELLA PRESENZA SUL MERCATO INTERNAZIONALE

Scopo di questa sezione é xidividuare le motivazioni che hanno Xxdotto l'azienda as espandersi e livello internazionale mediante l'esportszioue, l'apertura di punti di vendite al dettaglio o entrambe le attivita.

8. **Quale livello di influenza ha esercitato ciesaimo dei segmenti fattori nella decisioine dell'azienda di espandersi e livello internazionale ? (utilizzare le scala di valori seguente)**

1 = nessume influenza
2 = leggara influenza
3 = influenza moderata
4 = forte influenza
5 = influenze molto forte
6 = non so

Presenza di niche sui mercati esteri	1	2	3	4	5	6
Limitate possibilitá di crescita sul mercato interno	1	2	3	4	5	6
Offerte di imprenditori / partuer esteri	1	2	3	4	5	6
Tassi di cambio favorevoli	1	2	3	4	5	6
Eccessive restizioni legali sul mercato interno	1	2	3	4	5	6
Dimensioni dei mercati esteri	1	2	3	4	5	6
Saturazione dell'offerta sul mercato interno	1	2	3	4	5	6
Impegno all'internazionalizzazione da parte dei direttori	1	2	3	4	5	6
Disponibilitá di un marchio con potenzialitá di successo internazionale	1	2	3	4	5	6
Massima espansione sul mercato interno	1	2	3	4	5	6
Esaurimento del potenziale del marchio sul mercato interno	1	2	3	4	5	6
Aumento della concorrenza sul mercato interno	1	2	3	4	5	6
Assenza di concorrenza significativa sul mercati esteri	1	2	3	4	5	6
Struttamento di una formula innovativa di vendita al dettaglio	1	2	3	4	5	6
Esaurimenro delle possibilita di diversificazione sul mercato interno	1	2	3	4	5	6
Prestigio associato alla presenza sui mercati esteri	1	2	3	4	5	6
Regolamentazione meno vincolaute all'estero	1	2	3	4	5	6
Tipo di offerta non aucora presente all'estero	1	2	3	4	5	6

Altri (si prega di specificare) ....

9. Quale livello di influenza XX esercitato ciascumo dei segmenti fattori nella decisione dell'azienda di espandersi in particolare sul mercato della Gran Bretagna ?

1 = nessume influenza
2 = leggara influenza
3 = influenza moderata
4 = forte influenza
5 = influenze molto forte
6 = non so

Prenza di nicchie sul mercato britannico	1	2	3	4	5	6
Offerte di imprenditori/partner britannici	1	2	3	4	5	6
Tassi di XX XXXX	1	2	3	4	5	6
Dimensioni del mercato britannico	1	2	3	4	5	6
Impegno all'espansiorie sul mercato britannico de parte dei direttori	1	2	3	4	5	6
DiaXX bilita du xx marchio attraente per I conumatori britannici	1	2	3	4	5	6
Livello di prosperita economica del mercato britannico	1	2	3	4	5	6
Sfruttamento di uno formula di vendito al dettaglio considerate innovativa in Gran Bretagna	1	2	3	4	5	6
Prestigio associatio alla presenza sul mercato britannico	1	2	3	4	5	6
Tipo di offerta non aucora presente in Gran Bretagna	1	2	3	4	5	6
Assenza di concorrenza significativia in Gran Bretagna	1	2	3	4	5	6

Altri (si prega di specificare)...

10. Le affermazioni seguenti indicano per quali motivi gli imprenditori decidono a un dato momento di espanders a livello internazionale. In quale misura lei è d'eccordo con tali affermazioni nel contesto dell'esperienza dell'azienda ?

1 = sono pienamente d'eccordo
2 = non sono d'eccordo
3 = sono indifferente
4 = sono d'eccordo
5 = non sono assolutamente d'eccordo
6 = non so

In un primo tempo abbiamo aperto punti di   1   2   3   4   5   6
vendita all'estero a causa delle difficolta sul
mercato interno

In un primo tempo abbiamo aperto punti di vendite   1   2   3   4   5   6
sui mercati esteri perchè questi presentarano
opportunito favorevoli

Ora apriamo punti di vendite all'estero a causa   1   2   3   4   5   6
delle difficoltà sul mercato interno

Ora apriamo punti di vendite sui mercato esteri perché   1   2   3   4   5   6
questi presentano opportunita favorevoli

SEZIONE 3 - INGRESSO SUI MERCATI INTERNAZIONALI

Scopo di questi sezione é individuare I metodi che l'azienda adotta per decidere l'apertura di punti di vendita al dettaglio sui mercati esteri, comprendere gli adattamenti che di couseguenza si rendouo necessari per l'azienda, nonché evidenziare I fattori che coutribuiscono al successo o al fallimento dei punti vendita aperti in Gran Bretagna.

---

11. Indicare quali metodi l'azienda XX sequito per entrare sui mercati esteri (rispondere si o no)

	Si	NO
Apertura di negozi propri		
"Joint venture" con imprenditori stranieri		
Franchising		
Concessione all'interno di grandi magazzini		
Acquisizione : quote maggioritarie		
: quote minoritaria		
Accordo con grossisti		

Altri (si prega di specificare)..

11b. Dei metodi sopra indicato quali sono stati utilizzati per entrare sul mercato britannicao (rispoudere si o no)

	Si	NO
Apertura di negozi propri		
"Joint venture" con imprenditori stranieri		
Franchising		
Concessione all'interno di grandi magazzini		
Acquisizione : quote maggioritarie		
: quote minoritaria		
Accordo con grossisti		

Altri (si prega di specificare)...

12. Per inserirsi nel mercato britannico l'azienda XX modificatio uno dei segmenti elementi (rispondere si, no, non so)

Gamma dei proditti :   Si   No   Non So

	Si	No	Non So
• il nome del marchio			
• le scelta di stili			
• I tessuti			
• le etichette			
• le istruzioni per le manuitenzione			
• le taglié			
• la confezione			
• I colori			

Livello dei prezzi   Si   No   Non So

	Si	No	Non So
• pui alto			
• pui basso			

Pubblicitá   Si   No   Non So

	Si	No	Non So
• mezzo utilizzato			
• contenuto del mesaggio			
• metodo di controllo della gestioué (es, passaggio dal lavoro suolto in azienda all'incarico a un' agenzia pubblicitarie britannica)			

Attività promozionali   Si   No   Non So

	Si	No	Non So
• metodi promoezionali			
• frequenza delle promozioni			

Interni dei punti vendita /
metodi di commercializzazione   Si   No   Non So

	Si	No	Non So
• installazioni e arredamento			
• metodi di presentazione dei prodotti			
• allestimento delle vetrine			
• disposizione dei punti vendita			

Servizio clienti   Si   No   Non So

	Si	No	Non So
• range of services offered			

Altri cambiamenti (si prega di specificare)

....

....

13. **Qual é l'importanza dei fattori seguenti nel determinare il successo dell'**
    attività dell ' azienda in Gran Bretagne ? (utilizzare le scale di valori
    seguente)

1 = nessume importanza
2 = scarsa importanza
3 = discrete importanza
4 = notevole importanza
5 = estrema importanza
6 = non so

La vaste esperienza commerciale dell' azienda	1	2	3	4	5	6
Le techniche di vendite e di promozione	1	2	3	4	5	6
La linea di prodotti	1	2	3	4	5	6
Una direzione forte e aggressiva	1	2	3	4	5	6
L'offerta di un servizio clienti	1	2	3	4	5	6
La formula esclusiva di vendita al dettaglio	1	2	3	4	5	6
Le strette relazioui con I foruiton	1	2	3	4	5	6
Il successo del marchio	1	2	3	4	5	6
La sorveglianza e il coutrollo finanziari	1	2	3	4	5	6
La prestigiosa reputazione dell' azienda	1	2	3	4	5	6
Le grandi dimensioni dell' azienda	1	2	3	4	5	6
Le piccole dimensioni dell' azienda	1	2	3	4	5	6
Le ricerche di mercato	1	2	3	4	5	6
La strategia dei prezzi	1	2	3	4	5	6
La gestione della distribuzione	1	2	3	4	5	6
Il "Know-how" della vendita al dettaglio	1	2	3	4	5	6

L'immagine dell' azienda / dei punti vendite	1	2	3	4	5	6
La conoscenza dell'inglese	1	2	3	4	5	6
L'esperienza acpuisite su altri mercati ester	1	2	3	4	5	6
La vicinonza geografica alla Gran Bretagna	1	2	3	4	5	6

(Altri (Si prega di specificare) ....

....

14. In quale misua : seguenti fattori costituiscouo un problema per l'attività dell' azienda in Gran Bretagna ? (Utilizzare le scalla di valori seguente)

1 = per nulle
2 = in scarsa misura
3 = in qualche misura
4 = in misura significativa
5 = in misura molto significativa

I livelli di concorrenza	1	2	3	4	5
La diaponibilitá di partner commerciali a datti	1	2	3	4	5
La regolementazione nazionale	1	2	3	4	5
Le fluttuazioni della moneta	1	2	3	4	5
Le differenze nei gusti dei consumatori	1	2	3	4	5
La disponiblitá di siti idonei	1	2	3	4	5
I costi di distribuzione	1	2	3	4	5
I costi finanziari	1	2	3	4	5
L'insuficiente conoscenza del mercato	1	2	3	4	5
La competitività dei prezzi	1	2	3	4	5
Il successo dei marchi affermati n el settore moda in Gran Bretgna	1	2	3	4	5
La fedeltà dei consumatori ai dattaglianti britannici	1	2	3	4	5
I problemi on la lingue	1	2	3	4	5
L'adeguemento della formula di vendita alle esigenze del mercato	1	2	3	4	5
La mancanza di sostegno della direzione nei riguardi del mercato britannico	1	2	3	4	5
La dispinibilità di dirigenti e peronale idonei	1	2	3	4	5

Altri (Si prega di specificare)

....

....

SEZIONE 4 - INFORMAZIONI SULL'AZIENDA

Infine le saremmo grati se ci potesse foruire, esclusivamente per gli scopi della ricerca, le seguenti informazioui sull' azienda

15. In quale percentuale le vendite all'estero contribuiscouo al totale delle vendite ?

meno del 5%	
5 -10%	
11 - 20%	
21 - 30%	
31 - 40%	
41 - 50%	
pui del 50%	

16. Qual è la percentuale delle vendite in Gran Britagna rispetto al totale?

meno del 5%	
5 -10%	
11 - 20%	
21 - 30%	
31 - 40%	
41 - 50%	
pui del 50%	

17. Nome della persone che la risposto el puestiouario

....
Posizione nell' azienda ....
Numero di telefono ....

18. Nome dell'azienda ....

Indirizzo ....

Saremo lieti di uiviarle una copie dei risultati della ricerca e a tel fine la pregliamo di indicare se le interessa receverli.

Si	
NO	

Souo in programma altre ricerche, chi verteranno sui principaliaspetti dell'internazionalizzazzione del commercion al dettaglio, e in particolare dell' ingresso sul mercato britannico.

A tale scopo si intende effecttuare interviste brevi e informali cou operatori commerciali del settore moda che bbiano interessi in Gran Bretagna. Se lei o l'azienda potete dedicare un po' di tempo a puesto ricerce importante e confidenziole, la pregluiamo di coutrassegnare il riguardro sottostaute.

Si, saremmo interessati e partecipare

La ringraziamo per il tempo dedicato o completare il questionario, la sune collaborazione è state molto preziosa.

TEIL 1: AKTIVITÄTEN AUF DEM INTERNATIONALEN MARKT

In diesem Teil ersuchen wir grundlegende Informationen über Ihre derzeitigen geschäftlichen Aktivitäten auf den internationalen Märkten.

Grundbegriffe:

- **AUSFUHR / EXPORT :** die grenzüberschreitende Verbreitung Ihrer Erzeugnisse durch Großhändler, Ausfuhrkaufleute oder Beauftragte, **jedoch nicht unmittelbar** durch eigene Einzelhandsverkaufsstellen, die den Namen Ihrer Marke oder Ihres Unternehmens führen;

- **EINZELHANDEL :** die **mittelbare** grenzüberschreitende Verbreitung Ihrer Erzeugnisse durch Franchisenehmer, eigene Einzelhandsverkaufsstellen bzw. Shop-in-Shop-Konzessionäre, die den Namen Ihrer Marke oder Ihres Unternehmens führen.

1. **Seit wann führen Sie einen Teil Ihrer Erzeugnisse nach dem Ausland aus?**

seit weniger als 2 Jahren	
seit zwischen 2 und 5 Jahren	
seit zwischen 6 und 10 Jahren	
seit zwischen 11 und 20 Jahren	
seit mehr als 20 Jahren	
Wir tätigen keine Exporte	

1b. **Seit wann führen Sie Einzelhandsverkaufsstellen im Ausland?**

seit weniger als 2 Jahren	
seit zwischen 2 und 5 Jahren	
seit zwischen 6 und 10 Jahren	
seit zwischen 11 und 20 Jahren	
seit mehr als 20 Jahren	

2. **Seit wann führen Sie Erzeugnisse in Großbritannien ein?**

seit weniger als 2 Jahren	
seit zwischen 2 und 5 Jahren	
seit zwischen 6 und 10 Jahren	
seit zwischen 11 und 20 Jahren	
seit mehr als 20 Jahren	
nie	

2b. **Seit wann führen Sie Einzelhandsverkaufsstellen in Großbritannien?**

seit weniger als 2 Jahren	
seit zwischen 2 und 5 Jahren	
seit zwischen 6 und 10 Jahren	
seit zwischen 11 und 20 Jahren	
seit mehr als 20 Jahren	

3. **Wie lange bestand Ihr Unternehmen schon, bevor es anfing, Exportgeschäfte zu tätigen?**

weniger als 2 Jahre	
zwischen 2 und 5 Jahre	
zwischen 6 und 10 Jahre	
zwischen 11 und 20 Jahre	
mehr als 20 Jahren	
nicht zutreffend	

3b. **Wie lange bestand Ihr Unternehmen schon, bevor es Einzelhandsverkaufsstellen im Ausland eröffnete?**

weniger als 2 Jahre	
zwischen 2 und 5 Jahre	
zwischen 6 und 10 Jahre	
zwischen 11 und 20 Jahre	
mehr als 20 Jahren	

4. **Nach wievielen Ländern führen Sie derzeit Erzeugnisse aus?**

Anzahl der Länder: ....

4b. **In wievielen Ländern führen Sie Einzelhandsverkaufsstellen?**

Anzahl der Länder: ....

5. **Wieviele Einzelhandsverkaufsstellen führen Sie, die**

im Besitz Ihres Unternehmens selbst sind? ....
durch Franchisenehmer betrieben werden? ....
als Shop-in-Shop-Konzessionen betrieben werden? ....
andere (bitte Einzelheiten angeben)....................................
....

6. **Nennen Sie bitte die ersten drei Länder, nach denen Ihr Unternehmen seine Erzeugnisse ausführte!**

1. Land	
2. Land	
3. Land	
Trifft nicht zu	

6b. **Nennen Sie bitte die ersten drei Länder, in denen Ihr Unternehmen Einzelhandsverkaufsstellen eröffnete (z.B. unternehmenseigene Läden, eigenständige Geschäfte, Franchisegeschäfte, Shop-in-Shop-Konzessionen usw.)!**

1. Land	
2. Land	
3. Land	

7. Nach welchem Land hat Ihr Unternehmen zuletzt zum ersten Mal Erzeugnisse ausgeführt?

....

7b. In welchem Land hat Ihr Unternehmen zuletzt zum ersten Mal Einzelverkaufsstellen eröffnet?

....

TEIL 2: BEGRÜNDUNG DER GESCHÄFTLICHEN AKTIVITÄTEN IM AUSLAND

In diesem Teil ersuchen wir Auskunft über die Gründe, die Ihr Unternehmen dazu geführt hat, seine Erzeugnisse auszuführen bzw. Einzelhandsverkaufsstellen im Ausland zu eröffnen.

---

8. Inwieweit haben folgende Faktoren die Entscheidung Ihres Unternehmens zur grenzüberschreitenden Ausweitung beeinflußt? (Ihre Anworten bitte anhand folgender Skala angeben.)

1 = keineswegs
2 = ein wenig
3 = mäßig
4 = viel
5 = sehr viel
6 = keine Angabe

Ausländische Marktlücken	1	2	3	4	5	6
Begrenzte Wachstumsmöglichkeiten im Inland	1	2	3	4	5	6
Angebote durch ausländische Einzelhändler/Partner Günstige Wechselkurse	1	2	3	4	5	6
Unverhältnismäßig strenge juristische Auflagen im Inland	1	2	3	4	5	6
Größe ausländischer Märkte	1	2	3	4	5	6
Ausgeschöpfte Verkaufsmöglichkeiten im Inland	1	2	3	4	5	6
Engagement für Internationalisierung auf Leitungsebene	1	2	3	4	5	6
Angebot eines international interessanten Erzeugnisses	1	2	3	4	5	6
Marktreife im Inland	1	2	3	4	5	6
Reife der Marke im Inland	1	2	3	4	5	6
Erhöhter Wettbewerb im Inland	1	2	3	4	5	6
Kein nennenswerter Wettbewerb im Ausland	1	2	3	4	5	6
Wohlstandsniveau im Ausland	1	2	3	4	5	6
Bestreben, aus einem neuartigen Verkaufsrezept Kapital zu schlagen	1	2	3	4	5	6
Ausgeschöpfte Diversifikationsmöglichkeiten im Inland	1	2	3	4	5	6

Prestigewert ausländischer Märkte   1   2   3   4   5   6
Wenig strenge Regulierung im Ausland   1   2   3   4   5   6
Noch unvollständig ausgeschöpfte Verkaufsstrategie   1   2   3   4   5   6
im Ausland

Andere (bitte Einzelheiten angeben)..

9.   Inwieweit haben folgende Faktoren die Entscheidung Ihres Unternehmens beeinflußt, in den britischen Markt einzusteigen? (Ihre Anworten bitte anhand folgender Skala angeben.)

1 = keineswegs
2 = ein wenig
3 = mäßig
4 = viel
5 = sehr viel
6 = keine Angabe

Marktlücken im Vereinigten Königreich   1   2   3   4   5   6
Angebote durch britische Einzelhändler/Partner   1   2   3   4   5   6
Günstige Wechselkurse
Größe des britischen Marktes   1   2   3   4   5   6
Engagement für den Einstieg in den britischen   1   2   3   4   5   6
 Markt auf Leitungsebene
Angebot eines für die britischen Verbraucher   1   2   3   4   5   6
interessanten Erzeugnisses
Wohlstandsniveau im Vereinigten Königreich   1   2   3   4   5   6
Bestreben, aus einem in Großbritannien als innovativ   1   2   3   4   5   6
angesehenen Verkaufsrezept Kapital zu schlagen
Prestigewert des britischen Marktes   1   2   3   4   5   6
Wenig strenge Regulierung im Vereinigten Königreich 1   2   3   4   5   6
Noch unvollständig ausgeschöpfte Verkaufsstrategie   1   2   3   4   5   6
im Vereinigten Königreich
Kein nennenswerter Wettbewerb im Vereinigten   1   2   3   4   5   6
Königreich

Andere (bitte Einzelheiten angeben)...

10.   Inwieweit stimmen folgende Behauptungen über zeitliche Aspekte der grenzüberschreitenden Ausweitung eines Unternehmens mit Ihrer eigenen geschäftlichen Erfahrung überein? (Ihre Anwort bitte anhand folgender Skala angeben)

1 = Trifft vollkommen zu
2 = Trifft nicht zu
3 = Weder zutreffend noch
        unzutreffend
4 = Trifft gewissermaßen zu
5 = Trifft überhaupt nicht zu
6 = keine Angabe

Zunächst eröffneten wir Geschäftsstellen in Ausland   1   2   3   4   5   6
auf Grund von Schwierigkeiten im inländischen Markt.

Zunächst eröffneten wir Geschäftstellen im Ausland auf   1   2   3   4   5   6
Grund der dortigen Erweiterungsmöglichkeiten.

Zum gegenwärtigen Zeitpunkt eröffnen wir Geschäftsstellen 1 2 3 4 5 6
in Ausland auf Grund von Schwierigkeiten im inländischen
Markt.

Zum gegenwärtigen Zeitpunkt eröffnen wir Geschäftstellen 1 2 3 4 5 6
im Ausland auf Grund der dortigen Erweiterungsmöglichkeiten.

TEIL 3: EINSTIEG IN INTERNATIONALE MÄRKTE

In diesem Teil bitten wir Sie um Auskunft über die von Ihrem Unternehmen angewandten Methoden, Einzelhandsverkaufsstellen im Ausland aufzubauen. Unser Ziel ist es, die dabei notwendigen unternehmerischen Anpassungen besser zu verstehen sowie diejenige Elemente herauszustellen, die für den geschäftlichen Erfolg bzw. Mißerfolg im Vereinigten Königreich entscheidend sind.

---

11. Welche der folgenden Methoden hat Ihr Unternehmen angewandt, um den Einstieg in ausländische Märkte zu ermöglichen? (Bitte ja oder nein angeben.)

	JA	NEIN
Eröffnung eines oder mehrerer eigenen Geschäfte		
Gemeinschaftsunternehmen (Joint Venture) mit einem ausländischen Einzelhändler		
Lizenzvergabe		
Geschäftsinterne Konzessionen / Shop-in-Shop		
Erwerb : Merheitsbeteiligung		
Erwerb : Minderheitsbeteiligung		
Großhandelsvereinbarung		

Andere (bitte Einzelheiten angeben)..

11b Welche der von Ihnen oben angegebenen Methoden sind für den Einstieg in den britisichen Markt angewandt worden? (Bitte ja oder nein angeben.)

	JA	NEIN
Eröffnung eines oder mehrerer eigenen Geschäfte		
Gemeinschaftsunternehmen (Joint Venture) mit einem ausländischen Einzelhändler		
Lizenzvergabe		
Geschäftsinterne Konzessionen / Shop-in-Shop		
Erwerb : Merheitsbeteiligung		
Erwerb : Minderheitsbeteiligung		
Großhandelsvereinbarung		

Andere (bitte Einzelheiten angeben)..

12. Hat Ihr Unternehmen beim Einstieg in den britischen Markt einige der folgenden Elemente angepaßt? (Bitte ja, nein oder "keine Angabe" ankreuzen)

Produktpalette - Ja Nein keine

Angabe

	Ja	Nein	keine
• Markenname des Produktes			
• Auswahl der Macharten			
• Angewandte Stoffe			
• Etikettierung			
• Pflegeetikettierung für den Kunden			
• Angebotene Größen			
• Verpackung			
• Farben			

Preisniveau - Ja Nein keine

Angabe

	Ja	Nein	keine
• Höhere Preise			
• Niedrigere Preise			

Werbung - Ja Nein keine

Angabe

	Ja	Nein	keine
• Ausgewählte Medien			
• Inhalt			
• Leitungskontrolle (z.B. Ausgliederung zu einer britischen Werbeagentur			

Werbungsbezogene Maßnahmen - Ja Nein keine

Angabe

	Ja	Nein	keine
• Angewandte Methodik			
• Häufigkeit der Werbekampagnen			

Innenausstattung der Geschäfte / . Ja Nein keine
Verkaufsförderung
Angabe

	Ja	Nein	keine
• Anschlüsse und unbewegliches Inventar			
• Produktdarbietung zur Verkaufsförderung			
• Schaufensterdekoration			
• Aufteilung der Geschäfte			

Kundendienst **Verkaufsförderung** **Angabe**	**Ja**	**Nein**	**keine**
Angebotene Dienstpalette			

Weitere Anpassungen (bitte Einzelheiten angeben)...

13. **Wie wichtig sind die folgenden Elemente für den Erfolg bzw. Mißerfolg Ihrer geschäftlichen Aktivitäten im Vereinigten Königreich? (Ihre Anwort bitte anhand folgender Skala angeben.)**

1 = nicht wichtig
2 = etwas wichtig
3 = einigermaßen wichtig
4 = sehr wichtig
5 = ausgesprochen wichtig
6 = keine Angabe

Große unternehmerische Erfahrung im Marketingbereich	1	2	3	4	5	6
Verkaufs- und Werbemethodik	1	2	3	4	5	6
Produkt- und Verkaufspalette	1	2	3	4	5	6
Starke, dynamische Leitung	1	2	3	4	5	6
Angebotener Kundendienst	1	2	3	4	5	6
Einzigartiges Verkaufsrezept	1	2	3	4	5	6
Enge Beziehungen mit Zulieferern	1	2	3	4	5	6
Attraktive Marke	1	2	3	4	5	6
Finanzkontrolle und -überwachung	1	2	3	4	5	6
Prestigewert des Unternehmens	1	2	3	4	5	6
Größe des Unternehmens (großes Geschäft)	1	2	3	4	5	6
Größe des Unternehmens (kleines Geschäft)	1	2	3	4	5	6
Marktforschung	1	2	3	4	5	6
Preisstrategie	1	2	3	4	5	6
Effiziente Güterverteilung	1	2	3	4	5	6
Verkaufseffizienz und -technik	1	2	3	4	5	6
Unternehmerisches bzw. geschäftliches Markenimage	1	2	3	4	5	6
Englische Sprachfähigkeiten	1	2	3	4	5	6
Auf anderen ausländischen Märkten gewonnene Erfahrung	1	2	3	4	5	6
Räumliche Nähe des Vereinigten Königreichs	1	2	3	4	5	6

Andere (bitte Einzelheiten angeben)...

14. **Inwieweit stellen folgende Faktoren ein Problem für Ihre Geschäfte im Vereinigten Königreich dar? (Bitte Anwort anhand folgender Skala angeben.)**

1. = Überhaupt nicht problematisch
2. = Ein wenig problematisch
3. = Etwas problematisch
4. = Sehr problematisch
5. = Ausgesprochen problematisch

Wettbewerb	1	2	3	4	5	6
Vorhandensein geeigneter Handelspartner	1	2	3	4	5	6
Regulierung durch die Regierung	1	2	3	4	5	6
Wechselkursschwankungen	1	2	3	4	5	6
Verschiedenheit der Geschmäcker bei den Verbrauchern	1	2	3	4	5	6
Vorhandensein geeigneter Standorte	1	2	3	4	5	6
Verteilungskosten	1	2	3	4	5	6
Unzulängliches Wissen über die Marktsituation	1	2	3	4	5	6
Preiswettbewebsfähigkeit	1	2	3	4	5	6
Stärke schon in Großbritannien vertretener Modemarken	1	2	3	4	5	6
Ausmaß der Treue britischer Verbraucher gegenüber heimischen Einzelhändlern	1	2	3	4	5	6
Sprachschwierigkeiten	1	2	3	4	5	6
Anpassung des Verkaufsrezepts an Marktbedürfnisse	1	2	3	4	5	6
Unzureichendes Engagement seitens der Leitung für den Einstieg in den britischen Markt	1	2	3	4	5	6
Vorhandensein geeigneten Leitungspersonals und geeigneter Angestellten	1	2	3	4	5	6

Andere (bitte Einzelheiten angeben!)...

TEIL 4: UNTERNEHMENSPROFIL

Zum Schluß bitten wir Sie um folgenede unternehmensbezogene Auskünfte, die ausschließlich zur Vervollständigung der Forschungsergebnisse bestimmt sind

---

15. **Welchen Anteil Ihrer Gesamtgeschäfte wickeln Sie im Ausland ab?**

weniger als 5 v.H.	
5 - 10 v.H.	
11 - 20 v.H.	
21 - 30 v.H	
31 - 40 v.H.	
41 - 50 v.H.	
mehr als 50 v.H.	

15. Welchen Anteil Ihrer Gesamtgeschäfte wickeln Sie im Vereinigten Königreich ab?

weniger als 5 v.H.	
5 - 10 v.H.	
11 - 20 v.H.	
21 - 30 v.H	
31 - 40 v.H.	
41 - 50 v.H.	
mehr als 50 v.H.	

17. **Name der den Fragebogen ausfüllenden Person** ....

Position im Unternehmen ....

Fernruf ....

18. **Name des Unternehmens** ....

Anschrift ....

Möchten Sie zur gegebenen Zeit ein Exemplar der Ergebnisse dieser Untersuchung erhalten?

JA	
NEIN	

Weitere Arbeiten sind geplant, mit dem Ziel, andere Schlüsselelemente der Internationalisierung des Einzelhandels zu erforschen, besonders in bezug auf den Einstieg in den britischen Markt. Zu diesem Zweck werden kurze, informelle Gespräche mit in Großbritannien vertretenen Einzelhandskaufleuten der Modebranche geführt werden.

Sind Sie - oder ist Ihr Unternehmen - an einer Teilnahme an dieser wichtigen, selbstverständlich auch vertraulichen Forschungsarbeit interessiert?

JA	
NEIN	

Vielen Dank für Ihre Unterstützung beim Ausfüllen dieses Fragebogens. Wir schätzen Ihre Zusammenarbeit sehr.

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APPENDIX FOUR

Case Company Profiles

Case Company Profiles
(All financial figures are for the period 1998-1999 – the period when research was undertaken)

Company Name : Diesel

Country of Origin : Italy

Origin / Background details :
Diesel was founded in 1978 by Renzo Rosso in Northern Italy. Initially operating as a jeanswear manufacturer, the company began to wholesale the Diesel brand to Italian retailers in 1980. The first retail store was opened in 1984 and the company opened their first UK store 1995.

Ownership Status :
Diesel is privately owned by the Rosso family.

Financial Performance :
Year : 1998-1999

Turnover :	$ 311 million
Net Profit:	$ 42 million

UK Turnover :	£ 24 million
UK Net Profit :	£ 4.1 million

Market Positioning :
Diesel's target market is the 16-35 year old segment and for the Style Lab brand the key customer segment is aged 25-40. The company product range comprises of jeanswear, underwear, casual wear for men and women, outerwear, accessories and perfume, shoes and childrenswear. A key element of Diesel's market positioning within the British market is achieved through innovative and provocative advertising. In June 1999 the company won the title of Jeans Retailer of the Year at the British Fashion Awards.

National Profile :
At the end of 1998, Diesel operated in their home market of Italy:

Stand - alone stores :	19
In-store Concessions :	22
Wholesale Stockists :	221

International Profile : Operating Countries
At the end of 1998, Diesel operated stores in :

No of countries :	23
No of stand-alone stores :	63
No of concessions :	139
No of wholesale stockists :	2500+

UK Market Profile
At the end of 1998, Diesel operated :

No of stand-alone stores :	8
No of concessions :	22
No of Wholesale stockists :	420

Sources : Internal company documents; Mintel, (2000).

Company Name : Escada

Country of Origin : Germany

Origin / Background details :
Escada was founded in 1976 by Margaretha Ley in Munich, Germany. The company opened their first store in 1978 in Germany, their first foreign store in Canada in 1986. Their first British store was opened in 1987.

Ownership Status :
Escada is a PLC, and quoted on the German Stock Exchange.

Financial Performance :

Year : 1998-1999
Turnover : $ 728 million
Net Profit: $ 164 million

UK Turnover :   Not available
UK Net Profit :   Not available

Europe :   59% of total sales
USA   :   27% of total sales
Rest of world :   14% of total sales

Market Positioning :
Escada operate six brand formats internationally. The name, product range and target customer of these brands are as follows :
- Escada Couture - High fashion, hand-made garments by commission for very wealthy women aged 30-50;
- Escada Evening - Dresses and accessories for special occasions and events for wealthy women, aged 30-50
- Escada (Main Line) - Formal day and business wear for traditional and successful women, aged 30-60
- Escada Elements - Fashion design led casual wear for fashion-aware business women aged 25-40
- Laurel - Fashion design-led business and casual wear for fashionable women aged 25-35.
- Escada Sport - Casual and sportswear for women aged 20-40.

National Profile :
At the end of 1998, Escada operated in the home market of Germany:
Stand - alone stores :   37
In-store Concessions :   50
Wholesale Stockists :   280 approx.

International Profile : Operating Countries
At the end of 1998, Escada operated stores in :
No of countries :   46
No of stand-alone stores :   87
No of concessions :   14
No of Wholesale stockists : 2000+

UK Market Profile
At the end of 1998, Escada operated :
No of stand-alone stores : 8
No of concessions : 13
No of Wholesale stockists : 120+

Sources : Escada Annual Report, (2000), Internal company documents.

Company Name : Jacadi

Country of Origin : France

Origin / Background details :
Jacadi are a French manufacturer and retailer of childrens clothing and accessories. The company was founded in Paris in 1978 by Patrick Hamelle. The ethos of the company is to provide childrenswear ranges which are innovative in their design and are of high quality. As such, the brand typically enjoys a premium priced positioning with the home and foreign markets.

In the period 1989-1990, the company was owned by Storehouse (UK). After only thirteen months of Storehouse ownership, Patrick Hamelle bought back the business and move their head office to Nanterre, in the outskirts of Paris. During this period, an ambitious expansion programme was adopted, principally within foreign markets. In 1993 the company launched a second format, called Dipaki, offering childrenswear pitched cheaper than the Jacadi chain. By 1996, there were 50 of these stores operating within France, the majority under franchise. In addition, the company opened a factory shop in Paris called Dicaja.

The aggressive expansion resulted in financial instability for Jacadi resulting in profits of FFr24 mn in 1995 being turned into losses of Ff. 121 mn in 1996. As a result, the company filed for bankruptcy in October 1996. Jacadi was then acquired from the receivers by Armand Fryman, owner of the Gerard Pasquier women's fashion chain, despite significant competition from other bidders, including the Zannier children's chain. At the time of the acquisition, Fryman announced his intention to spend Ffr89 mn in order to turn the company around. The cornerstone of Jacadi's declared recovery strategy was the rationalisation of non-profitable outlets and markets. In particular, the company sought to rid themselves of company owned stores which did not provide a satisfactory return on investment.

At the same time, within the UK, the company operated 12 franchise stores, including a factory outlet within the Hatfield Galleria. All of the UK stores were located within London and the South East area. Jacadi's master-franchise partner in the UK was Alcadex Ltd. The company withdrew from the UK in 1998.

Ownership Status :
Jacadi is privately owned by Armand Fryman.

Financial Performance :
Year : 1998-1999

Turnover : £28 million
Net Profit: £800,000

460

UK Turnover : withdrawn
UK Net Profit : withdrawn

Market Positioning :
Jacadi are a childrenswear retailer that places significant emphasis upon their French origin as a basis for differentiation.

National Profile :
At the end of 1998, Jacadi operated in the home market :
Stand - alone stores :   81
In-store Concessions :   47
Wholesale Stockists :   none

International Profile : Operating Countries

At the end of 1998, Jacadi operated stores in :
No of countries :   33
No of stand-alone stores :   178
No of concessions :   44
No of Wholesale stockists :   none

UK Market Profile

Jacadi do not operate any stores within the UK market.

Sources : Internal company documents.

Company Name : Kenzo

Country of Origin :   France

Origin / Background details :
Kenzo were founded in Paris by Japanese designer Kenzo Takada in the late 1960's. The first Kenzo store was opened in Paris in 1981. In 1993 Kenzo was acquired by the LVMH conglomerate. The LVMH group also owns among others, the Christian Dior, Thomas Pink, Christian Lacroix and Gant brands.

Ownership Status :
Controlled by the LVMH conglomerate which is listed on the Paris Stock Market.

Financial Performance :

The company does not provide specific details of the financial performance of their fashion brands, wither individually or cumulatively. Therefore, the figures listed below are for the LVMH group as a whole :-

Year : 1998-1999

Turnover :   £5.6bn approx.
Net Profit: £ 0.5bn approx.

UK Turnover :   not available
UK Net Profit : not available

Market Positioning :
Kenzo are a premium priced designer company that offer clothing, accessories and perfume ranges for men, women and children. There is also a Kenzo home accessories line.

National Profile :
At the end of 1999, Kenzo operated in the home market of France :
Stand - alone stores :   6
In-store Concessions :   14
Wholesale Stockists :   60+

International Profile : Operating Countries
At the end of 1999, Kenzo operated stores in :
No of countries :   30
No of stand-alone stores :   94
No of concessions :   21
No of Wholesale stockists :   300+

UK Market Profile
No of stand-alone stores :   2
No of concessions :   5
No of Wholesale stockists :   25-30

Sources : Internal company documents, LVMH Annual Report, (2000).

Company Name : Lacoste

Country of Origin :   France

Origin / Background details :
La Chemise Lacoste was established in Paris in 1933 by the French tennis champion, Rene Lacoste. Nicknamed 'the alligator' because of his on court tenacity , Rene Lacoste initially had tennis shirts made to his own specifications and had the breast pockets embroidered with a green alligator by way of acknowledging his reputation. In response to public interest in his tennis shirts, Lacoste , along with Andre Gillier, the owner of the largest knitwear factor in France, set up a factory to produce the shirts.

The company first began to export in 1951 to Italy, followed by the USA in 1952. During this period, the company expanded into sportswear for women and in 1959 the range was extended to include childrenswear.   The first manufacturing and distribution license was issued to a Spanish knitwear manufacturer in 1962, and in 1966 a similar license was issued for the American market. In 1968 the company launched a fragrance range, manufactured under license by the French perfumery company, Jean Patou.

In the period 1970-1985, the company entered into licensing and distribution agreements with partners in Japan, Brazil, Australia and Thailand, Italy and Germany. During this period the Lacoste product range was extended to include tennis shoes and racquets, as well as travel accessories, sunglasses, watches and casualwear.

The first stand-alone La Chemise Lacoste store was opened on Avenue Victor Hugo, Paris in 1981, followed by a further three stores and ten in-store concessions in France the following year. Openings of Lacoste stores elsewhere in the world were curtailed, however, by the licensing agreements which prohibited the opening of stand-alone stores by the parent company within licensee's domestic markets. Recognising that the Lacoste brand was being undermined by un-co-ordinated and poorly managed licensing, the company bought back control of the rights to the Lacoste brand with the USA Canada and the Caribbean in 1992.   In addition, in order to ensure control over product manufacture, the company signed a world-wide manufacturing agreement with the French garment manufacturer, Devanlay S.A. granting them exclusive manufacturing rights to Lacoste garments. In addition, new distribution rights were also signed giving Devanlay exclusive rights to distribute Lacoste products within the French and German markets.

The opening of Lacoste boutiques abroad was therefore initially confined to countries where no exclusive manufacturing and distribution deal had been signed, the first of which was in Italy in 1984. The opening of outlets within the USA, the companies most important market, was thus not possible until 1994, (two years after the company re-gained distribution rights), when concessions were opened in Saks, Neiman Marcus and Barney's department stores. The first USA stand-alone store opened in Palm Beach, Florida, in 1995. Also in 1995, a distribution agreement was reached with an agency to distribute Lacoste in Russia and in 1996 a franchise store was opened in Moscow.

In March 1998, La Chemise Lacoste acquired control over Devanlay S.A., the company responsible for the manufacture of Lacoste products. This acquisition was undertaken as a means of protecting the quality and integrity of the Lacoste brand.

Ownership Status :
La Chemise Lacoste is controlled and managed by the Lacoste family.

Financial Performance :

Year : 1998-1999

Turnover :   £1.1 billion
Net Profit: £325 million

UK Turnover :   not available
UK Net Profit : not available

Market Positioning :
Lacoste specialise in the design, manufacturing and distribution of premium-priced sportswear clothing and casualwear. Furthermore, the company produce shoes and accessories and a cosmetics range is produced under-license.

National Profile :
At the end of 1998, Lacoste operated stores in the home market of France :-
Stand - alone stores :   41
In-store Concessions :   139
Wholesale Stockists :   200 +

International Profile : Operating Countries
At the end of 1998, Lacoste operated stores in :
No of countries :   80
No of stand-alone stores :   600
No of concessions :   930
No of Wholesale stockists :   1000+

UK Market Profile
No of stand-alone stores :   9
No of concessions :   7
No of Wholesale stockists :   350+

Sources : Internal company documents, Lacoste Internet Site - WWW.Lacoste.Fra.

Company Name : Naf Naf

Country of Origin : France

Origin / Background details :

Naf Naf was founded in 1973 by Gerard and Patrick Pariente. The company first licensed products were eyewear, luggage, leather goods and stationery which were launched in 1985. The first retail outlet was opened in Paris in 1986. The company, through a license agreement with L'Oreal, launched a fragrance line in 1991. The first UK store was opened in 1992. In 1994, Naf Naf acquired the Chevignon brand.

Ownership Status :
Naf Naf moved to public ownership in 1993 and is listed on the Second Market of the Paris Stock Exchange.

Financial Performance :

Year : 1998-1999

Turnover :   £5 million approx.
Net Profit: (£789,000)

UK Turnover : not available
UK Net Profit : not available

Market Positioning :
Originally targeted towards the teenage market through casualwear and jeans, the company announced their re-positioning in 1997 to a more 'elegant' and less 'teenager focused' range. By incorporating more elegant clothes, and by adopting a more aggressive pricing strategy, the company identifies the 18-25 year old female market as their core customer segment.

National Profile :
At the end of 1998, Naf Naf operated in the home market of France :-
Stand - alone stores :   138
In-store Concessions :   89
Wholesale Stockists :   200+

International Profile : Operating Countries
At the end of 1998, Naf Naf operated stores in :
No of countries :   25
No of stand-alone stores : 180
No of concessions :   75
No of wholesale stockists :500+

465

UK Market Profile

No of stand-alone stores :   2
No of concessions :   --
No of wholesale stockists :   50+

Company Name : Max Mara

Country of Origin : Italy

Origin / Background details :
Max Mara was founded in Reggio Emilia, Italy by Achille Maramotti in 1951 and the company is now run by his three children. Currently, the Managing Director of the company is Ignazio Maramotti, the founder's oldest son. Max Mara is Italy's third largest fashion manufacturer and the second largest retailer as measured by sales turnover. in 1951 in Reggio Emilia. Originally operating as a womens coat manufacturer, the company opened its first store in Milan in 1973. The company first began to export in 1970 and opened their first foreign retail outlet in Paris in 1980.

Ownership Status :
Max Mara is wholly owned by the Maramotti family.

Financial Performance :

Year : 1998-1999

Turnover : £1 billion

Net Profit: £290 million

UK Turnover : not available

UK Net Profit : not available

Market Positioning :
Max Mara operates at the premium end of the women's fashion market. As part of a strategy aimed at assuring maximum market coverage, the company operate six brand formats internationally. The name, product range and target customer of these brands are as follows :-

- Max Mara - the high fashion, premium priced brand aimed at women aged 35-60;
- Marina Rinaldi - the premium priced out-sized range for woman of all ages;
- Marella - a business range for professional women aged 30+;
- Penny Black - the evening wear range;
- Max & Co - a range of casual and business clothing for the young professional woman aged 25 +;
- Sports Max - a causal wear range which cuts across all aged groups.

National Profile :

At the end of 1999, Max Mara operated in the home market :

Stand - alone stores :	71
In-store Concessions :	43
Wholesale Stockists :	200+

International Profile : Operating Countries

At the end of 1999, Max Mara operated in :

No of countries :	87
No of stand-alone stores :	196
No of concessions :	108
No of Wholesale stockists :	1000+

UK Market Profile

No of stand-alone stores :	7
No of concessions :	62
No of Wholesale stockists :	200+

Sources : Internal company documents.