International Retail Marketing

A Case Study Approach

EDITED BY

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Preface

International retailing is an essential ingredient for the global economy. International retailing satisfies the increasingly complex and demanding needs of global consumers. Cultural diversity is expressed through the products and services that are provided by global retailers, who are in a position to discover new tastes and preferences, work with global suppliers to bring these products to the consumer speedily and at a fair price. International retailers are able to transfer knowledge and experience across cultural boundaries, and this ensures that they are constantly improving their quality of products and service delivery, and supplying the best of what is available to their consumer base. Retail technology enables responsive demand, real-time pricing, such as bar-coding, point-of-sale systems, e-commerce and customer relationship management schemes, for example loyalty programmes. Global retailers are at the forefront of technology change to manage their operations and consumer interface. Consumers are international in their outlook through travelling for business and/or pleasure, through accessing the Internet, music, television and magazines, and so are looking for new experiences and a global appeal when shopping. Progressive retailers have to meet this demand through keeping abreast of global trends and working with suppliers to optimise the appropriate product mix in store. Sustainability and ethical aspects of retailing are particularly apt when working globally. This is a challenging area for retailers and is an aspect of their quality management. Addressing the dynamics of the market for teenagers and youth market is another demanding area. Young consumers have their own finance and make their own decisions about what products they chose to buy and where from. They tend to be strongly influenced by celebrities, brands and peer-group pressure. Retailers need to understand their shopping habits and cater for the needs of this cohort. In general, consumers are increasingly brand aware and want to have access to luxury products. Own brands, or private labels, have to offer premium quality and a sense of uniqueness to attract and retain consumers' loyalty.

International Retail Marketing addresses all of the major issues affecting international retailing, including logistics and supply chain management, service quality across international boundaries, e-tailing, design, ethical sourcing, luxury brands, young consumers and global trends. This is a book that will be useful to retail managers, suppliers and academics.

Foreword

Yesterday, I returned to the UK from China, with its explosive retail development, and on this day the Safeway Merger Inquiry reported its findings. We indeed live in interesting times!

International retailing is a reality. It started slowly but surely, it will continue for many years, and we will not see *global retailing* for a generation. Retailing touches every person, and even in its early stages of development, *international retailing* is having profound effects on consumers, communities, competing retailers and on their suppliers.

This book on *International Retail Marketing* is very timely. The subject is massive, so the authors, wisely, do not attempt an all-encompassing study. They would shoehorn, pigeon-hole and stereotype too much if they tried. Instead they choose separate important subjects, which reflect what is happening in our industry.

I like the way the book moves easily between such diverse matters as supply chain, young consumers and e-commerce. In this way you get to see both the wood and the trees at the same time! In some ways it is an accurate impression of how a retailer would see it, moving, sometimes jumping, from subject to subject. Each piece is important and has to be dealt with, but it is not a jigsaw, so do not try too hard to force them into a single picture. I also like the way it travels around the world. It is not centred on the US, as so many offerings are.

I am fascinated by our industry, and I am sure the reader of this book will see why.

Sir Terry Leahy, Chief Executive, TESCO

List of contributors

Emma Banister is a Lecturer in Marketing at Lancaster University Management School. Her first degree was in politics and history at Newcastle University and she completed an MSc in Marketing in 1997 and her PhD in 2001, both at the School of Management, UMIST. She took up her appointment at Lancaster University in July 2003 after 3 years spent as Lecturer in the Department of Textiles, UMIST. Her research interests focus on consumer behaviour, specifically symbolic consumption (particularly distastes and the negative meanings associated with products, and young consumers).

Dr. Grete Birtwistle is the Head of the Division of Marketing at the Caledonian Business School, Glasgow Caledonian University. She has extensive fashion retailing experience and her PhD research investigated the area of store image and store positioning for fashion retailers. In particular, she highlighted the importance of retail staff perception of store image factors and that employees should be advocates of the company. She has published a number of articles and made contributions to books, mainly on areas of fashion marketing. Her current research explores ways of increasing the speed in the fashion supply chain and in order to achieve this she is interviewing both suppliers at different stages within the chain as well as buyers and logistics managers from retail companies. She is a Member of the Glasgow Centre for Retailing, and through this forum provides businesses with training courses and consultancy advice. Her main teaching areas are fashion marketing, integrated fashion logistics and integrated fashion communication. She has recently been a Guest Lecturer at Florida State University in Tallahassee.

Margaret Bruce is Professor of Design Management and Marketing at Manchester Business School. She was the Director of Fashion Retailing and Head of Textiles at UMIST. Professor Bruce is an internationally renowned scholar and consultant. Professor Bruce has published over 200 papers and 10 books in these fields, including *Fashion Marketing* (2001, with Tony Hines, Butterworth-Heinemann) and *Design in Business* (2002, with John Bessant, Pearson Education Limited and Financial Times). Her latest research focused on innovation in the extended enterprise and this will be published as *Design Drivers* (Butterworth-Heinemann, 2004). Professor Bruce holds an International Chair of Management and Strategy in Design at ICN Ecole de Management, University of Nancy II, France and an Honorary Professorship at Xi'an University of Science and Technology, China.

Alice W.C. Chu, M.A., M.H.K.I.T.A., is an Assistant Professor at the Institute of Textiles and Clothing, the Hong Kong Polytechnic University where she teaches fashion retailing, retail management and international fashion retailing. Prior to her academic career, she held senior management positions with several fashion retailers including Warner Brothers Studio Store, G2000 Ltd and Goldlion. She has gained commercial experience in export trading, merchandising, product development, marketing and fashion retailing. Alice has developed a strong interest in the effect of store environment on shopping behaviour, store operations, customer service, e-tailing and consumption value. She has also published a number of articles relating to fashion retailing in academic journals and at conferences. She is also an author for a book chapter in *Fashion Marketing: Contemporary Issues*, published by Butterworth-Heinemann in 2001. Her most recent collaboration

research activity involves university-funded project on modelling the routing pattern of fashion shoppers in shopping centre. Except research, Alice has also served as a consultant in various retail firms on the development their staff manual and in-house management training programmes. Currently, she is the Leader of the Undergraduate Programme in Fashion Retailing and is the Deputy Chairman of the Retailing Group in ITC.

Stephen Doyle is a Senior Lecturer in the Division of Marketing at Glasgow Caledonian University. Previously based at Napier University, his primary research interests are in the areas of retail design, in-store environment and retailer image, as well as destination image and product design. In addition, he has published chapters on the role of retailing and merchandise in the sport, leisure, festivals and event sectors.

John Fernie is Professor of Retail Marketing and the Head of School of Management and Languages at Heriot-Watt University, Scotland. He was previously Professor of Retailing and Logistics and also the Director of the Institute for Retail Studies at the University of Stirling. He has written and contributed to numerous textbooks and articles on retail management, especially in the field of retail logistics and the internationalisation of retail formats. He is Editor of the *International Journal of Retail and Distribution Management*, published by Emerald, and received the prestigious award of *Editor of the Year in 1997* in addition to *Leading Editor Award*s in 1994 and 1998 and 2000. He is on the Editorial Board of the *Journal of Product and Brand Management*, also published by Emerald. He is an Active Member of the Institute of Logistics and Transport and the Chartered Institute of Marketing in the UK as well as holding office in the American Collegiate Retail Association. In 2001, he became a Member of the Logistics Directors Forum, a group of leading professionals in supply chain management and logistics in the UK.

Dr Tony Hines is currently in the Retail Management Group at Manchester Metropolitan University Business School. His research interests are market-led supply chain strategies, and small firms, and he has a particular expertise in the apparel sector. His recent publications include a highly successful edited book *Fashion Marketing – Contemporary Issues* with Professor Margaret Bruce and a number of academic articles addressing supply chain relationships and their strategic importance in the apparel sector. He has also recently completed *Supply Chain Strategies* a text published by Butterworth-Heinemann. He has been an invited as Plenary Speaker at a number of *World Textile Conferences* most recently in India, Greece, Turkey and the US where he presented papers on supply chain strategies and e-business. In 2003, he was an invited Plenary Speaker at the *Leading Action for Textiles, Clothing and Footwear Conference* in the UK. In November 2000, he was an invited Plenary Speaker at the *International Forum for Fashion Training Institutes* held in London a platform shared with the UK Government Minister for the Creative Industries. He was joint author of a report on the Department of Trade and Industry (DTI) Mission to the US to examine e-commerce developments in the textile and apparel supply chain (July 2000). He has also undertaken market research for the Consumer Association and been an Invited Expert on consumer issues and retailing for the BBC on radio and television.

Tony is one of only three international academics invited to be a Member of the Strategic Planning Committee for the Milano Project in South Korea and is currently working with the Sri Lankan Government to develop executive marketing and supply chain programmes for the Apparel Industry in conjunction with the Chartered Institute of Marketing.

Tony has worked with a number of organisations in the UK and internationally to develop supply chain strategies. He is Editor of the *Textile Institute Journal of Economics, Management and Marketing* a position he has held since 1994. He is a leading marketing educator and holds External Examiner positions at Oxford Brookes University Business School for their South African programmes, Glasgow Caledonian University (MSc Marketing), Bournemouth University (MA Services Marketing), University of Ulster and he is a Senior Examiner for the Chartered Institute of Marketing.

Tim Jackson, Dip.M., M.A, is a Principal Lecturer at the London College of Fashion and Member of the Editorial Panel of *The Journal of Fashion Marketing and Management*. He leads a Post Graduate Certificate in Fashion Buying and Merchandising and chairs the Fashion Management Research Group at the London College of Fashion. Having worked both in retail management and in buying and merchandising for a number of fashion retailers including Dash, Jaeger and Burton Menswear, he has co-written the first UK textbook on fashion buying and merchandising management with David Shaw. Tim is qualified in marketing having gained an MA in Marketing and the CIM Diploma; he has undertaken considerable research into the fashion industry while based at the London College of Fashion and has commented on fashion business issues in the media. In addition to lecturing at the London College of Fashion he has lectured at the University of Westminster and Surrey University and is an External Examiner at both Manchester Metropolitan and Middlesex Universities.

Dr Trevor J. Little is Professor and the Head of the Department of Textile and Apparel Technology and Management at North Carolina State University. His research interests include linking the market and design functions, understanding customer requirement, manufacturing systems and developing new products to fulfil the needs and wants of the consumer.

Ruth Marciniak, BA (Hons), PgD, MBA, is a Senior Lecturer in Retailing at London Metropolitan University where she is responsible for the Retail Management Pathway of the BA (Hons) Combined Studies programme in the Business School. She is currently completing a PhD thesis on e-commerce practices of UK fashion retailers. She has also published in the area of fashion marketing and e-commerce in refereed journals, including the *International Journal of Retail and Distribution Management* and the *Journal of Fashion Marketing and Management*. She has presented academic papers at a number of national and international conferences, including the *British Academy of Management* and the *International Conference on Innovation through Electronic Commerce*.

Professor Christopher M. Moore, MA (Hons), MBA, PhD, is the Director for the Glasgow Centre for Retailing at Glasgow Caledonian University. A graduate of the Universities of Glasgow and Stirling, his doctoral thesis considered the internationalisation of foreign fashion retailers into the UK. His research interests include fashion buying and merchandising, fashion brand development and the internationalisation strategies of luxury brand retailers. His research activities have allowed him to work with many of the key international fashion retailers.

He has recently co-authored with Professor John Fernie and Suzanne Fernie a major new textbook on retailing and marketing, *Principles of Retailing*. He is the Assistant Editor of the *Journal of Customer Behaviour* and sits on the Editorial Panels of a number of leading academic journals.

Professor Moore currently holds the Scotmid Chair in Retailing. Scotmid is Scotland's largest independent co-operative society. As part of his remit as Director for the Glasgow Centre for Retailing, his duties include providing research and consultancy services for major retailers and consumer-facing organisations.

Heva Nejad graduated with a BSc in Textile Science and Technology in 2001 and completed an MSc in International Fashion Retail the following year (both from the Textiles Department, UMIST). The chapter in this book is based upon her MSc dissertation, which explored the effects of celebrity and media on the consumption of fashion by young consumers. Heva is currently working as a trainee buyer for Makro UK Ltd.

Dr Traci May-Plumlee is an Assistant Professor in the Department of Textile and Apparel Technology and Management. She is the Program Director of the Anni Albers Scholars program – a Double Degree Program requiring a BS in Textile Technology and a BA in Art

and Design. Traci's current areas of research include product-evaluative criteria, virtual draping in three-dimensional, digital design technologies, and innovative product development to satisfy textile and apparel customer requirements.

Dr Deirdre Shaw is a Senior Lecturer in the Division of Marketing, Glasgow Caledonian University. Her main research interests focus on consumer behaviour with regard to ethical issues, values and consumption patterns, including simplified lifestyles. This research has explored a number of consumption contexts including food, clothing and home interior purchasing. Methodological approaches have included modelling ethical consumer decision-making via structural equation modelling techniques and case studies of simplified consumption lifestyles. Publications include national and international journal articles and conference papers focusing on ethical and responsible consumption choices.

Dr Anne Smith, BSc (Hons), MSc, PhD, PGCE, MCIM, is Senior Lecturer in Marketing, Department of Business and Management, University of Glasgow. Having previously held posts at the Universities of Sheffield, Manchester (UMIST) and the West Indies (Barbados), she has more than 20 years experience of course delivery and design, in both the public and private sectors, in the UK and overseas. Subjects taught range from 'broad-based' management, strategy and marketing courses (including professional qualifications in marketing and accountancy) to specialised modules in service quality and design, service internationalisation and research methodology.

Her research work focuses on the service sector, in particular health and financial services, investigating issues of service quality and design. This work has been published in journals such as the *Journal of Business Research*, *Journal of Marketing Management*, *Services Industries Journal*, *International Journal of Bank Marketing*, and in a co-authored book, *The Management and Marketing of Health Services*. More recently, a major programme of research focusing on cross-cultural methodology and the impact of response styles on international service-quality evaluation and design has been initiated, with colleagues at the University of Swansea, with early findings published in the *International Marketing Review*.

Further major research interests are the process and practice of service innovation and service reorganisation in both the public and private sectors. A current project 'Reorganising for Success', funded by the Chartered Institute of Personnel and Development, in collaboration with colleagues both at Glasgow and at other UK universities has involved a major survey of UK organisations. Initial findings have been published in Management and Practitioner Publications, including the *Mastering Leadership Series* (*Financial Times*).

Ms Dominique A.C. Tomolillo is a graduate of the MSc Fashion Marketing degree from the Division of Marketing, Glasgow Caledonian University.

Dr Kit-lun Yick gained her BA (Hons) in Clothing Management and Technology from Manchester Metropolitan University in UK and the PhD in Fabric Objective Measurement Technology from the Hong Kong Polytechnic University. And then, Dr Yick joined the Institute of Textiles and Clothing, the Hong Kong Polytechnic University as a lecturer in 1996. She specialises in fabric science and technology, fashion technology and clothing production management. Dr Yick teaches a broad range of subjects at different levels, including fashion technology, clothing production management, international textile and clothing industry, apparel, apparel textiles, apparel trade practice, production planning and organisation, etc. She has also involved in supervision of undergraduate and doctorate research students. Her recent research interests include comfort evaluation, modelling of fabric properties, thermo-regulating materials, product development, consumer studies, local retail business, etc. Dr Yick has also served as a consultant to industry in the areas of quality-system implementation, fabric performance evaluation, ethical evaluation process enhancement, production plant development, etc.

Acknowledgements

Introduction

Retailing is an international business. To satisfy the needs of global consumers, retailers have to meet these through the products they offer, whether these are principally food, fashion or multiple retailers. Consumers experience different cultures when they travel for work or pleasure and they have access to the Internet, television, magazines, etc and they demand products, which reflect these tastes. Retailers are sourcing globally for the fashion or cosmetic or electronic gadget that is new and exciting for their challenging consumer base. Sustainability and fair trade are issues that are coming uppermost for retailers and they have to ensure that they are trading and sourcing ethically. Thus, they have to have in place optimum quality management to do so. One growing market is that of young consumers who have their own finance, are strongly influenced by celebrities and peer-group pressure. This market sector is fast moving, brand-led, difficult to satisfy and fickle. Consumers are increasingly aware of luxury brands, which is particularly challenging for private- or own-label retailers. Own-label or private-label products have to be of a premium quality and at a competitive price to attract and retail consumers. International retailers are under pressure to identify key trends in different regions and deliver the appropriate product mix, at the expected level of service quality to satisfy their global consumers. This entails having effective supplier relationships in place to guarantee product delivery on time and at the agreed price point to meet demand globally. It means monitoring the retailer brand to ensure that it is strengthened, not diluted, by different expectations across the world. It includes keeping ahead of the game in terms of customer care and global trends. It means being aware of competitors that may come into the market through the Internet, through merger and acquisition, and/or through vertical integration. All of these issues are captured in this book.

International Retail Marketing is a primary source for managers in retailing or their suppliers, or those wishing to embark on a career in international retailing. The book is divided into two sections. Section 1 reviews and discusses the main conceptual and theoretical themes facing international retail marketing. Section 2 examines topical issues affecting international retail marketing and is based on contributions from leading experts from around the world. Each chapter concludes with a set of Study Questions.

Moore and Fernie examine the nature of international retailing, how international retailers operate globally, the pressures they face, and approache{[G1]}s to strategic international retail marketing. Retailers are cost driven and to achieve a profitable international retailing business requires consideration of key activities, systems and processes. This is addressed by Moore and Fernie. In Chapter 2, Fernie focuses on logistics and supply chain management for international retailers. Products have to be manufactured, assembled, and transported to the retailer and then distributed to retail outlets throughout the retail operation. This is complex and when systems fail, then this means that anchor products are not in store at the time they need to be. Achieving a fail-safe process that is agile, lean, quick response, and that is able to meet changing consumer needs within tight cost parameters is not easy! Fernie considers the contingent factors impacting on an efficient and effective supply chain. Central to any retailer are the roles of sourcing, buying and merchandising.

Without the right products in stores at the right time and price and presented appropriately to the consumer, then the retailer would be out of business. And yet, these activities are not always given the attention that they deserve and they are clearly a strategic activity. In Chapter 3, Moore gives an intelligent synopsis of retail buying and considers its role as a 'change agent', 'gate-keeper' and 'opinion-leader'. To fulfil these roles, buying needs to be closely linked with the retailers' strategic objectives, predict future trends and create and deliver on the buying plan. Buyers also have to be able to cultivate effective relationships with suppliers to negotiate on price and delivery. Doyle considers store design and visual merchandising in Chapter 4. Atmospherics, layout and visual merchandising are increasingly critical aspects of the retail offering. They serve to attract or detract potential consumers and impact on purchase behaviour and customer retention. Creating zoned areas in stores, for example for teenagers, baby and toddlers, etc. is one approach to meeting different customer needs and assists consumers to navigate around the store.

Section 2 covers a number of major issues affecting international retail marketing and is full of interesting cases and examples. E-commerce hype envisaged a future without 'brick-and-mortar' retailers. This vision has not been proven, as yet. Internet shopping is another channel open to the consumer and can prove to be convenient and cheaper for certain products and services, for example books, compact disks, flights, hotels, etc. This new channel has led to the emergence of new types of retailers and novel trading activities, such as auction sites like e-bay. For many retailers, e-commerce has been adopted to support key operations, such as sourcing and buying, tracking of shipments, billing, ticketing, training, etc. Marciniak and Bruce review e-tailing and the strategic options that this provides. In Chapter 6, Hines focuses on relationship management within the domain of the supply chain management. Investment in partnerships is one approach that is used to guarantee access to new product ideas, to ensure priority of delivery and to maintain a sensitive price. Drawing on examples, Hines argues that supply chains are effectively 'value creation mechanisms for customers' and need to be treated as such, rather than merely taking a cost-driven approach. Where retailers take this perspective, they are able to create a supply chain that meets with their strategic objectives, for example lean and agile as the case of Zara in fashion. Bannister and Nejad address the area of young consumers in Chapter 7. This is a rapidly expanding market in its own right and also young consumers' influence on household purchases, so that they are being referred to as 'brand managers of the home'. Bannister and Nejad segment the market into 'kids', 'tweens' and 'teens', and focus on the influence of celebrity on young consumers. By conducting their own research, they reveal a range of attitudes and influences on purchase behaviour in this sector. Regarding celebrity endorsement, then they appeal to very small-age bands and the celebrity needs to be managed to ensure their values were still appealing to the target segment. Next, Tomolillo and Shaw take the topical issue of ethics in fashion in Chapter 8. Using focus groups, they have asked consumers directly about their perspectives on ethical consumerism and the trade-offs they, as consumers, make between cost, fashion, aesthetics and ethics. Consumers were aware of environmental issues in the production of fabrics and ethical issues in terms of exploitation of women workers in clothing factories. They would like more choice in terms of fashionable and ethical garments. Chapter 9 provides an analysis of global luxury brands. Jackson addresses the thorny question as to whether luxury and fashion are synonymous or not, and then he goes onto question the nature of luxury. Luxury is now being diffused down the social strata and so the meaning of 'luxury' is in itself dynamic. He cites Menkes (2002): 'the word luxury is almost old fashioned. I have a different philosophy on luxury – to me it is the right pair of jeans that fit well and could be any brand. I call it design-led quality.' The connection with design has meant that the luxury brands are acquiring design talent to expand their businesses on the basis of the creative talent and inherent sense of exclusivity that this can

bring. Keeping ahead of the 'Jones' and retaining, or expanding the market, is not easy for luxury brands in a climate of copycats and accessibility of fusion lines. Service quality is another concern of international retailers. In Chapter 10, Smith reports on an international survey of consumers' cross-cultural expectations of service in financial services. She notes that without understanding the tacit nature of service expectations, retailers are taking unforeseeable risks in geographical expansion across cultural boundaries. Indeed, the intangible elements of service are often neglected by international retailers who tend to assume a 'mono-culture' throughout their organisation, which can create problems of customer attraction and retention. Birtwistle extends this theme in terms of store image and retail positioning. Consumers have perceptions of stores, which influence their propensity to enter that store and their retention to it. From her research, she has found that a key factor of store image is customer care and service quality and is the 'most significant differentiator, particularly in fashion retailing where staff can have high customer contact.' Thus, store staff have a major role in store image, in addition to that of advertising and merchandising. The final chapters in this section consider trends in Asia and the US. In Chapter 12, Chu and Yick focus on fashion trends in Asia. The markets in cities like Hong Kong are becoming saturated and intensely competitive, as international retailers are using Hong Kong as a base to enter China. With fast-moving fashion markets, no one retailer is able to cater for the diverse range of wants and needs of consumers, so 'portfolio retailing' is becoming more and more common. Portfolio retailers operate a number of different retail formats to meet distinctive market needs and each has its own-tailored merchandising programme to serve the specific needs of a different target group. Hong Kong retailers have expanded in the region into China, Thailand, Korea but these face operational problems and also have to adapt to and reflect the cultural needs of these environments. Brand image and a customer-centred approach to marketing are necessary for success in Asian markets.

Little and May-Plumlee, in Chapter 13, provide an overview of the technological impacts on retailing in US, which have enabled responsive demand, real-time management and optimization, such as point-of-sale systems, bar-coding, e-commerce and customer relationship management activities, like loyalty schemes. They describe a study of US consumers and note the key factors affecting the decision to purchase – fit, colour, style, brand and price. The study also compared intention to buy with point-of-sale figures and from this the authors argue that such data is an accurate predictor of future sales. They suggest that vendor-managed inventory systems using point-of-sale data can provide powerful style and attribute data to support merchandising and product development functions for both local and global consumers.

Contents