

# Chapter 15

## Store Openings and Sourcing Strategies in the Internationalization of Fashion Industrial Retailers

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### ABSTRACT

*In the fashion sector, the distribution functions and management of the processes involved in the network of stores have acquired a central role. This points to the potential rise of retailing competences, also among traditional manufacturing companies, as a factor of competitive advantage. The chapter outlines the characteristics of the “industrial retailer,” namely a retailer that integrates industrial capabilities, whose role is relevant in the configuration of supply networks, being operators that act globally with market and resource seeking strategies. The chapter sheds light on the phenomenon of stores openings, by providing an empirical investigation in two steps: the first has the aim of describing the extent and scope of the phenomenon; the second includes a case study of an Italian fashion firms with typical characteristics of the industrial retailer. The chapter highlights the impact on sourcing strategies and relevance of stores openings for the international expansion of brand-based companies.*

### INTRODUCTION

The fashion industry has undergone considerable change over the years, with such an increasing global competition that attention to the processes of internationalization in the context of fashion is inevitable. In recent years, the global economic crisis has put retail companies in front of a magnitude of challenges not seen before, in terms of decreased profits and fierce price pressure. This is particularly true for companies in many Western European markets. Thus, operating within a foreign market is essential

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to the survival of a company and makes a significant contribution to the overall turnover of a growing number of retailers. To date, the competition within the fashion industry is moving from manufacturing to distribution and retailing (Castelli & Brun, 2010), as a result of major changes that have occurred in the fashion retail environment over the past 30 years. The main drivers of this evolution in the late 1980s and 1990s included the rise of the retail brand, its increasing internationalisation, as well as a further segmentation of the market. By the late 1990s, a significant change was the appearing of affordable style on the high streets, driven mainly by retailers such as Zara and H&M. At the same time, the fashion supply chain was transformed from a manufacturer-push to a demand-led pull system; from a domestic to an offshore sourcing strategy by retailers; and saw an increased focus on retailers outsourcing supply chain functions to concentrate instead on their core competences in the design, branding and retailing of fashion products (Perry et al., 2014).

Foreign markets expansion, however, is not a new phenomenon. For example, Benetton opened the first store in Paris in 1969, while Gucci opened the first store in New York in 1953, five years after the first Salvatore Ferragamo store in the same city. It is true to say that in the past two decades the international expansion of fashion retailers has been unprecedented, fuelled by a variety of facilitating factors, the most notable of which has been the emergence of fashion retailer brands, such as Gucci, Ralph Lauren or even Zara, whose image positioning makes them appealing to customers across the globe, regardless of their cultural background and ethnic origin. Consequently, fashion retailers are now identified as amongst the most important international companies. Hollander (1970), in his review of the internationalization of retailers in general, noted that fashion retailers were amongst the most prolific and successful when it came to foreign market expansion. However, despite the international success of fashion retailers, there has been little reference to that success within the literature, and consequently, there has been insufficient consideration of their international strategies and activities.

Moore and Burt (2007) suggest that beside the internationalization of management of know-how, the two main dimensions of the internationalization of fashion retailing are the sourcing of products from foreign markets and the operation of retail shops by fashion retailers within foreign markets.

The chapter addresses these two dimensions of the internationalization of fashion retailers, that are deeply connected. On one hand, sourcing activities have acquired a central role as part of the fashion retailer's functions (Runfola, 2012; Macchion et al., 2015). Retailers source globally for their textiles and apparel products mainly to acquire cost benefits and in time to meet their fast moving and demanding consumer needs. The trend to offshore goes hand in hand with the fact that global sourcing does not always suffice to meet retailers' demands, and so local suppliers are used in tandem with those offshore. On the other hand, the opening of stores in foreign markets falls deeper and deeper into the practices of fashion firms (Guercini & Runfola, 2015). There is an increasing variety of actors involved in this process, not only pure retailers, namely those intermediaries that sell the same categories of merchandise as they purchase. In recent years, many fashion manufacturers, such as apparel or semi-finished textiles producers, are pursuing downstream integration through directly operated stores, concentrating their efforts on the downstream side of the supply chain more than on the upstream one, in order to increase their control over sales networks and get in direct contact with final customers. Another relevant category is that of industrial retailers, namely the figure of the retailer that integrates industrial capabilities, such as sourcing of semi-finished textiles, apparel design, product branding (Guercini, 2004). In this sense, the sourcing strategy adopted helps to configure the type of actor among the variety of operators in the fashion landscape.

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