



## CURRENT RESEARCH DEVELOPMENT PAPERS

International  
fashion retailer  
success

# The operationalisation of international fashion retailer success

281

Stephen Wigley and Christopher M. Moore  
*Heriot-Watt University, Edinburgh, UK*

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### Abstract

**Purpose** – The paper aims to define the components crucial to international fashion retailer success and to establish how these components may be practically managed by a firm in order to achieve success.

**Design/methodology/approach** – The paper employs a case study approach.

**Findings** – The paper proposes that there are three components crucial to international fashion retailer success – coherent international brand management, disciplined distribution control, and retail presentation consistent with the marketing image. This may be achieved via centralised control structures or via effective management of relationships with foreign agents.

**Research limitations/implications** – This is an exploratory study requiring further quantitative investigation.

**Originality/value** – The paper applies theoretical approaches to practical issues, and offers a practical account of how overseas fashion retailer success may be affected by firm management decisions and competencies.

**Keywords** Fashion, Retailing, International marketing, Operations management

**Paper type** Case study

### Introduction

During the past two decades in particular, fashion companies have evolved to be the most prolific, dynamic and successful category of international retailers (Doherty, 2000; Fernie *et al.*, 1997). In 2003, all but one of Europe's top 18 specialist clothing retailers measured by sales operated in markets outside their country of origin (Mintel, 2003). In the UK market, 18 of the top 20-selling clothing retailers either operate foreign stores, or are foreign owned (Mintel, 2003). Europe's fastest growing international fashion retail group, Inditex, reported that 54 percent of their total sales are outside their domestic market (Inditex, 2004). As this example, success in foreign markets can have positive effects on the corporate well being of the retailer. Conversely, the example of Marks and Spencer illustrates the impact of foreign market failure; that company was forced to abandon international markets, compounding its domestic difficulties (Mintel, 2003). It is clear therefore that international activity has become a crucial dimension of the growth of fashion retailers, as measured by proportion of sales and contribution of assets (Alexander and Quinn, 2002; Moore, 1997; Moore *et al.*, 2000).



Notwithstanding these facts, there has been little research into how fashion retailers may manage the internationalisation process and therefore manage their chances of success. The crucial dimensions of international fashion retail success, specifically marketing and brand-related (Moore *et al.*, 2000; Wigley and Moore, 2004a), market choice-related (Treadgold, 1991; Dawson, 1994), and entry method and operational management related (Doherty, 1999, 2000) have been identified. Meanwhile, some authors have investigated how fashion retailers may structure their organisations and manage relationships in order to achieve success, specifically from an agency theory perspective (Doherty, 1999; Moore *et al.*, 2004). However, there has been no account of how fashion retailers may control the crucial dimensions as part of corporate strategy, or how they may manage international operations most effectively to ensure success.

This paper identifies how the critical success factors of international fashion retailing may be managed at a strategic level and indicates the structures and policies retailers may operationalise in pursuit of success. Using the agency theory framework, these are explored in terms of the impact of retail partner relationships on success, and recommendations for the successful management of international fashion retailing are offered. To achieve this, case studies of two international fashion retailers are presented. Each retailer's performance is considered in context of their respective approaches to internationalisation and the crucial dimensions of success identified in the literature in order to fulfil the aim.

### Literature

Subsequent to Hollander's (1970) seminal text, the subject of retail internationalisation (RI – defined as “firms that are responsive to headquarters located outside the country in which retail sales are made” (Hollander, 1970, p. 10) has attracted considerable academic attention (Akehurst and Alexander, 1996; Alexander, 1990, 1997; Burt, 1993; Dawson, 2000; Williams, 1992a). Doherty (2000) structured this body of literature by defining the four “themes” evident in it, these being:

- (1) the scale of RI;
- (2) the scope of RI;
- (3) the motivations for RI; and
- (4) the geographical direction of RI.

However, it is unclear how variation of these themes may contribute to the success of international retail operations (Akehurst and Alexander, 1996; Roberts, 2004; Sternquist, 1997, 1998). Similarly, while some factors critical to generic RI successes have been identified (Treadgold, 1989; Williams, 1992a), these have not been made applicable to the demands of specific retail sectors. In particular, fashion retail internationalisation has not been considered in terms commensurate with its acknowledged success (Dawson, 1994; Doherty, 2000; Fernie *et al.*, 1997; Moore, 2001; Treadgold, 1991). The following sections will examine the literature relevant to successful international retailing, and its applicability to the fashion sector.

### *Success in retail internationalisation*

Hollander (1970) recognised that RI strategies would be ineffectual if the retailer was not equipped with the financial, commercial and operational resources and

competencies necessary. Recent studies have focused on strategic-level factors. Treadgold (1989) showed that international retailers ought to possess ten internal (i.e. company-focussed) and external (i.e. externally focussed) factors or characteristics. These are outlined in Table I.

Williams (1992a) refined the concept of internal and external factors by defining “differential firm advantages” as those dimensions relating to retailer’s management structure, marketing mix and operational strategy, and which may influence its international success. Williams (1992a) emphasised the organizational characteristics of international retailers, including “corporate entrepreneurship” (concerned with the company’s measure of risk aversion in foreign markets), the “degree of marketing orientation” (indicating how the extent to which the company is responsive to foreign markets), “organisational size” (implying availability of financial and human resources), “corporate international orientation” (the willingness of the management to exploit foreign opportunities) and “accumulated learning experience” (the result of experience in one market being applied to another). Williams (1992a) also recognised the importance of the predisposition of management to international opportunities and their ability to overcome the issue of psychological distance – the perceived differences between domestic and foreign markets and their consumers (Evans *et al.*, 2000; Johansson and Vahlne, 1977).

*Management control*

Psychic distance has been cited as a key factor in the expansion patterns and organisational performance of international retailers. Evans *et al.* (2000) explain how organisational characteristics contribute to a retailer’s understanding of foreign markets, may inform their foreign market choice, market entry method and operation strategies, and hence impact on their ultimate success. It is noted that retailers have traditionally moved into foreign markets geographically close or culturally similar to their domestic market (Laulajainen, 1991; Treadgold and Davies, 1989; Waldman, 1978). Similarly, barriers to internationalisation are viewed in the literature not as obstacles in themselves, rather as a result of the retailer’s culture or “way of thinking” and their inability to adapt to foreign market characteristics (Alexander, 1990; Evans *et al.*, 2000; Moore *et al.*, 2004; Salmon and Tordjman, 1989).

Treadgold (1989) found evidence of a growing trend for retailers to adopt a more proactive approach to internationalisation, using more confident retail or marketing strategies to expand irrespective of psychic distance (Davies and Treadgold, 1988;

Internal success factors	External success factors
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 in and commitment to long-term potential of the market	Ability to influence customer preferences so that new opportunities can be developed where none previously existed

Source: Treadgold (1989)

**Table I.**  
Internal and external  
success factors

Williams, 1992a). Evans *et al.* (2000) described how international experience informed subsequent foreign market strategies, implying that retailers expand internationally with more assurance as their management gains knowledge and confidence (Treadgold, 1990). Authors agree that this contributes to, and is a consequence of, the closer management of a retailer's strategic functions across its operational and marketing strategies in order to assure success (Quinn and Doherty, 2000; Quinn, 1999; Moore *et al.*, 2004).

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#### *Agency theory*

The management control of RI operations has attracted attention from an agency theory perspective (Moore *et al.*, 2004; Quinn, 1999; Quinn and Doherty, 2000; Sparks, 1996). In agency theory, the position of power in a relationship between channel partners (e.g. between a fashion retailer's central management and its foreign subsidiaries) is considered vital to the understanding of that relationship and of its outcomes (Gaski, 1984; Hunt and Nevin, 1974; Shipley and Egan, 1992; Sibley and Michie, 1982; Stern and Sturdivant, 1987). The balance of power in the relationships may be positioned according to the contractual agreements between members, with the nature of these in turn depending on the relative strengths, weaknesses and strategies of the signatories (Quinn, 1999; Quinn and Doherty, 2000; Hough, 1986; Moore *et al.*, 2004). Doherty and Alexander (2004) suggest that in practice, the issue of cross-border retail partnership selection (e.g. the selection by a franchisor of its franchisee) is similar to partner selection in a traditional marriage setting, with different priorities (e.g. financial, sociological, etc.) influencing the selection decision.

The balance of power in – and character of – these relationships impacts on the roles played by channel members. Doherty and Quinn (2000) indicate that a core aspect of agency theory is the issue of information asymmetry, where differences in the knowledge or skills held by the principal or the agent shifts the balance of power between them. Doherty (1999) explains how international retail organisations may be prone to the problems resulting from information asymmetry due to their dependence on intangible assets such as brands, trademarks and retail concepts (Dawson, 1994; Sparks, 1996; Treadgold, 1989).

Applying an agency theory dimension to international retail management control, Doherty (1999) suggested that because experience in foreign markets informed subsequent international strategy, the issue of information asymmetry acquired a crucial status. To be successful in the long term, retailers must manage their channel relationships in order to make informed decisions regarding their foreign operations. Typifying this, Moore *et al.* (2004) found that information flow between channel members often became a point of conflict, and therefore not conducive to consistent success. Consequently, effective management of the relationship, the monitoring of the information flow and clear demarcation of respective partners' interests become crucial to the international business.

#### *International fashion retailing*

Despite the success of international fashion retailers, this particular sector has attracted little research attention (Doherty, 2000; Fernie *et al.*, 1997). This is because the characteristics of fashion retailing make it distinctive from other sectors (Dawson, 1994; Doherty, 2000; Fernie *et al.*, 1997; Moore *et al.*, 2000; Treadgold, 1991). These distinctions have been defined as the importance of branding and product design to

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fashion retailers (Laulajainen, 1992; Moore *et al.*, 2000), the variety of market entry methods available (Dawson, 1994; Treadgold, 1991) and the potential for intangible transfer of management skills (Dawson, 1994; Sparks, 1996).

Among these skills, development of appealing brands is critical in international fashion retailing, with the implication that international success requires close monitoring of foreign markets and the status of the brand within each (de Chernatony *et al.*, 1995; Burt and Carralero-Encinas, 2000; Moore *et al.*, 2000). Retailers owning distinctive brands or desirable products are more likely to proactively pursue foreign opportunities (Alexander, 1995, 1997; Lewis and Hawksley, 1990; Laulajainen, 1992; Williams, 1992b). These companies are likely to employ a variety of foreign market entry methods and operational strategies (Hollander, 1970; Treadgold, 1989; Fernie *et al.*, 1997; Moore, 1997), and the desire to benefit from foreign market exposure of these brands is likely to motivate internationalisation (Hollander, 1970; Treadgold and Gibson, 1989; Moore, 1997). The importance of branding allows fashion retailers to deviate from an incremental path of international expansion depending on the strength of their retail offer, marketing resources and product range (Cannon and Willis, 1981; Reid, 1984; Turnbull, 1987; Johansson and Vahlne, 1990). A key dimension contributing to the success of a fashion retailer overseas is its ability to develop an alluring brand image substantiated by distinctive products (Wigley and Moore, 2001a).

At an operational level, the establishment of effective agency theory relationships may promote international fashion retailer success, irrespective of the market entry method chosen (Doherty, 1999, 2000; Moore *et al.*, 2004). Subsequent work (Wigley and Moore, 2004b) applied these findings to the wider dimensions of fashion retail internationalisation, identifying management control of foreign operations as the defining feature of international fashion retail success.

In summary, some of the factors contributing to international retailer success have been defined, these being:

- the development of an internationally attractive brand and product portfolio; and
- central management supervision of overseas activities irrespective of market entry choice and method via the management of partner relationships.

However, there has been no account of how international fashion retailers may integrate these two dimensions as part of an internationalisation strategy. This study aims to consider how the background (i.e. motives, facilitators) to internationalisation and the internationalisation process and execution (i.e. market choice and entry method) impacted on the success of two retailers internationalisation strategies. The background, process and execution of internationalisation are considered in terms of each retailer's success in creating internationally attractive brand and product portfolios and the impact that different approaches had on the retailer's ability to establish effective relationships with overseas agents.

## **Methodology**

### *Research position*

The specialised nature of fashion retailer internationalisation lends itself to an interpretivist research position using qualitative techniques and a case study approach. The purpose of the study was to gain a deeper understanding of a specific subject which has hitherto received little attention; therefore an in-depth, exploratory

approach was required. It was anticipated that this inductive process would result in a better understanding of the subject, and lead to subsequent research (Janesick, 1998).

*Case selection*

Two case studies were carried out, one each into two separate fashion retailers. The retailers were selected on basis of their wide similarity (e.g. in terms of product sector and ambitions) and their specific differences (e.g. in strategic approach and success). Both retailers market collections under distinctive brand names, were motivated by the desire to benefit from their brands internationally, and their internationalisation strategies were both supported by a shift to public ownership. However, while one has enjoyed consistent success in foreign markets, the other has been only sporadically successful. By studying two companies in a similar market segment and under similar corporate circumstances but with very different commercial experiences, the study identified the strategies influencing international success. Anomalies outside the bounds of the study – such as market conditions or structural change – were also avoided in this way (Yin, 2003). In order to gain access to potentially sensitive information, both companies were promised anonymity.

The first company is based in the USA and offers high-end lifestyle clothing for women, men and children, and associated accessories. Founded during the early 1980s, the company grew quickly in the USA, supported by distinctive marketing campaigns and considerable financial backing. International operations commenced during the late 1980s with overseas expansion via wholesaling and licensing. Despite domestic success, including a lucrative Wall Street flotation, the company was undermined during the 1990s as a result of strategic decisions taken by the then-incumbent management regarding their internationalisation strategy.

The second company is based in the UK, and operates in a similar aspirational lifestyle segment and product range. Founded during the early 1980s, the company became one of the UK's leading fashion retailers, boosted by innovative market positioning. International operations started in the mid-1990s via wholesaling, followed by store franchise agreements, company-owned stores and product licensing. Following a pattern of opportunistic growth, the company has gone from strength to strength internationally.

The research used three techniques:

- (1) interviews;
- (2) observation; and
- (3) documentation.

This triangulated data in order to validate the veracity of data by comparing each source with the others (Yin, 2003). Structured interviews with senior managers were used as an initial data collection method. Documentary evidence – such as company records, internal memoranda and media analysis – corroborated and augmented interview findings. As the third avenue of investigation, observation of each company's strategy was made, with particular regard to their marketing and management policies. Finally, the emergent themes of previous interviews, documentary research and observation were used to inform subsequent unstructured interviews. Interviews were transcribed and analysed using manual coding.

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## Findings and discussion

### *Background to internationalisation*

Both retailers were founded during the 1980s, both quickly succeeded in their domestic markets, and therefore both companies' management saw foreign markets as a source of further success. Both companies professed an early intention to internationalise. The American retailer saw the internationalisation of its brand as a means of differentiation from domestic competitors, while the UK retailer recognised the limitations of the UK market and pursued international opportunities as soon as they became commercially viable.

Immediately a difference in approaches to internationalisation is apparent. While the UK retailer saw foreign markets as a crucial component of its wider strategic success, the US retailer saw internationalisation as an adjunct to its domestic business. The marketing manager of the US company commended the then management for their success in creating an image and products that were appealing to American consumers. However, he suggested that they were then naïve in approaching international markets, assuming that imagery and products which were successful in the USA would require no additional effort to be appealing overseas. The then-incumbent management "looked at the business outside the USA as peripheral to their main attention [. . .] and they didn't realise what the effect of not paying proper attention to foreign markets could be".

While the company prescribed in its IPO a comprehensive plan for foreign expansion (which was only implemented as planned in the UK), the management failed to proactively approach internationalisation as an opportunity to enhance the brand, to reinforce the firm's commercial footing and to develop a successful foreign business. This attitude was damaged by the conditions in which the company existed as international operations commenced. Domestic growth had slowed, and during the early 1990s the company suffered from quality problems, over production, and inappropriate retail exposure. This coincided also with the company's change to public ownership. While the injection of shareholder funds allowed the initial implementation of the prescribed internationalisation plan, poor domestic performance and shareholder demands persuaded the inexperienced management team to accelerate their international programme.

The marketing manager of the US firm described the previous management of the company as inexperienced in balancing the demands of investors and the long-term investment requirements of foreign markets. They were uncertain of their brand's international status and susceptible to the demands of financial investors who demanded returns despite the difficult domestic market and inadequately developed company infrastructure. As a solution to slackening domestic demand in tandem with over-production, they were forced to compromise their internationalisation strategy:

They [the then management] were forced to sell stock wherever they could [. . .] They went with partners who offered the best deal, because they needed the business and they needed outlets for all the stock [. . .] although maybe long-term the brand might have been damaged.

The disciplined internationalisation plan which had called for the formation of company-owned stores in recognised "world cities" was dismissed. The view now was to regard their foreign markets "almost as a cash cow", as an expedient short-term answer to the company's domestic difficulties. The company accelerated its entry to

foreign markets. Consequently, international operations commenced despite the company being under-equipped in terms of finance, distribution infrastructure, foreign partner relationships and central management attention.

Conversely, the British retailer's manager indicated that internationalisation had been a key aspect of its strategic plan before its shift to public ownership. Internationalisation was prescribed as part of the company's business model, not only to enhance the "international" flavour of the brand in the UK, but as a crucial dimension of the company's commercial growth. Therefore, from the company's inception, even as a minor UK-based retailer, it positioned itself as a global lifestyle brand, as reflected in its early marketing material and early orientation toward international opportunities. The marketing manager stated that:

We were perceived as being an international brand long before we had any stores abroad. That's because we gave ourselves an international aura with our communicated positioning in the UK, by presenting the brand as having global dimensions.

The management's success in creating a brand with an international dimension – albeit only in design inspiration or marketing imagery – was prescribed as having helped propel their growth in the UK. However, unlike the US case, the marketing manager of the UK counterpart claimed that the senior management took a more sophisticated approach to creating a brand and products which were as appealing to foreign markets as they were in the UK:

... when we began foreign operations, we were very conscious of the "Cool Britannia" thing that was happening during the late-1990s [...] we took advantage of that to present ourselves as British, but not stuffy or old-fashioned, as modern and innovative.

Meanwhile, the management's attitude to foreign opportunities was more proactive than that of the US retailer, from a purely commercial perspective and as a method of substantiating its "international" position in the UK market. Before the company's IPO allowed the establishment of centrally owned foreign stores, the company had begun internationalising via wholesaling and a limited franchise agreement in Europe. The company adopted an attitude of taking advantage of international opportunities as they arose, even if they occurred before the company had funds to open company-owned stores. In tandem with this, the company deliberately pursued a strategy that gave it a group of products that was unique not only in the UK, but also the world.

#### *Internationalisation process and operationalisation*

The approaches to internationalisation outlined above are most clearly illustrated by considering how each company entered foreign markets, how they structured and managed their international operations.

The American retailer accelerated its international programme as a consequence of domestic difficulties at the cost of adequate management preparation and attention. As a result, the company quickly acquired significant presence in the European, Middle Eastern and Asian markets. The typical foreign market entry pattern was to establish franchise or joint-venture agreements with retail partners already existing in foreign markets. These companies would then be responsible for the operation of stores and wholesaling within each market, with the US company providing the product and

marketing support. However, partner choice was often compromised due to the prevailing corporate climate:

Partners were chosen on basis of their ability to pay money immediately or promise a quick retail roll-out rather than because of their experience or professionalism in working with an aspirational brand, and so they didn't really allow the brand to perform to its maximum.

Rather than considering who might provide the best partnership from the long-term perspectives of brand status and sustainable commercial growth, the US company chose partners who could promise a significant short-term investment. Consequently, the brand was inappropriately presented in environments that did not reflect the aspirational image presented by centrally controlled marketing. The partners chosen to operate foreign stores were typically compromised in terms of their suitability and performance thanks to their inexperience of working with aspirational brands and their failure to invest adequate human and financial support to operations beyond simply opening stores.

In addition, marketing was not tailored to reflect different cultures or delegated to local management, instead being controlled centrally from the USA by executives who were poorly attuned to international brand management. Apart from having a uniform global advertising campaign, the company failed to substantiate its brand in foreign markets with marketing support, regional initiatives or by working with foreign retail partners:

They didn't put the marketing support in give the right image to the brand [...] so customers didn't know what [the brand] meant. If they were aware of it as a sophisticated lifestyle brand, the shops didn't really reflect that.

While retail partners were allowed to control low-level marketing activity such as PR, these were not arranged in conjunction with head office, nor were they systematically planned. This failure to manage marketing communications in foreign markets was symptomatic of the company's wider approach to overseeing foreign operations. The sudden international expansion of the retail network meant that the company was poorly supported by distribution networks and data management functions. Exacerbating this was the company's failure to implement an adequate monitoring and control structure across its foreign operations. This was due to the incumbent management's inexperience of fashion retailing, their lack of resources and misplaced confidence in their international retail partners:

They were too trusting [...] Because they didn't follow up their foreign business properly, they had no way of knowing if things were going wrong or not.

In their rush to expand the retail network, with inadequate consideration for the longer-term consequences of their agreements, the company had effectively abdicated responsibility for the management of their foreign business to agents outside their direct control. Because the company's resources were stretched too thinly, there was no structure in place for central management to oversee foreign operations. While each regional operation had a management team to co-ordinate operations, these teams were typically nominated by the foreign retail agent and were not responsible to central management beyond loose reporting of sales performance and replenishment requests. There was no facility to provide a consistent training strategy for staff, nor was a standard retail operations manual prescribed for the company. While foreign stores

had to conform to a uniform design concept, there were insufficient store designers and visual merchandisers to establish standardisation beyond the most superficial levels. Finally, retail support functions (e.g. distribution) were delegated to other third parties for reasons of cost, surrendering control over them thanks to poorly planned contracts. From a longer-term perspective, the legal nature of the company's agreements with foreign retail partners meant that these problems could not be addressed easily, since they were fixed for long periods of time and costly to renegotiate.

The British company's first foreign retail operations also took the form of a franchise-type agreement, primarily because the opportunity arose before the company was fully prepared to commit to international expansion. However, unlike the American company, this arrangement was with a retail partner that was an established expert in the field, and the agreement was such that the UK company retained some control over the volume of stock, marketing and distribution. The manager admitted that this agreement was a "one-off" that suited the company at the time, and unlikely to be repeated elsewhere as a market-entry mode. Once the company was prepared for internationalisation, it implemented a plan that involved initially the establishment of company-owned stores supported by selective and centrally-administrated wholesaling, evolving later to the establishment of a wider franchise-type retail network.

Wholesale stockists were selected on the basis of their "fit" with the company ethos and personality. While the opening of company-owned stores in high-profile locations and in distinctive buildings has meant that the expansion has been much slower and more expensive than that of the US company, it has also been planned with a view to the longer-term sustainability of business. The manager reported that in all its decisions:

The brand is the key determinant. We make decisions based on how it fits with our brand – where do we open stores, what do they look like, can we get people who can run them to our standards, are we able to support them properly?

The British company views international retail operations not simply as a commercial enterprise in itself but also as a support mechanism for the wider success of the company. Foreign stores are designed to be living adverts for the brand's ethos, in the absence of traditional marketing activity. In turn, the company's business model sees this as being a key component of wholesale and licensing growth. The company's unconventional approach to marketing compliments this:

Because we don't advertise, we depend on the stores and word of mouth for business. So the stores are really life-sized adverts for the brand, they generate the attention that other companies need advertising for.

Inevitably, foreign stores therefore carry the weight of maintaining coherent brand values, with the implication that appropriate management and information resources support them. Indeed, the management insisted that all functions viewed foreign stores no differently than they from the firm's UK stores:

We run the US stores exactly like we run the British stores. Each ones' sales are closely monitored continuously, and the management have constant communication with Head Office and with different parts of the company like design or distribution. And in return we give them the full support with things like recruitment, visual merchandising, stock replenishment just as we would a store in London.

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For their second wave of international development the British firm, unlike its American counterpart, adopted a more systematic approach. Firstly, due to its strength in its domestic market and the commercial success of its foreign stores, the firm had power to select its foreign partners more carefully. In agreeing franchise, wholesale or license contracts, foreign partners must fulfil certain criteria. These relate to their previous experience of operating similarly high-status brand businesses, guarantees of their commitment of appropriate funds and management attention. Unlike the American retailer, the British company retains full power in these agreements, stipulating that the contracts will be terminated should the foreign partner fail to fulfil their commitments. The company's commitment to maintaining consistent brand architecture across markets and product categories means that they will not agree licenses unless they are able to retain a high degree of control of foreign agents. These agents are then required to provide regular sales and turnover data, are liable to personal compliance checks from head office management and are subordinate to head office control with regards to changes which may affect the company's brand or retail operations.

#### *Operational outcomes*

A comparison of relative successes of the two companies indicates the virtues of each company's strategies. While the US company's sales volume increased during the late 1990s, its profitability suffered. Distribution and quality problems exacerbated the difficulties the company had in expressing itself coherently across international markets, and consumers adopted the brand reluctantly. In international markets, the brand proved unpopular due to its inadequate expression in marketing and retail over-exposure. Meanwhile, domestic sales were slow to recover, and despite a comprehensive cost-cutting exercise and personnel changes, the company was unable to recover. The hoped-for solution to the company's problems – that a brief boost in earnings from international operations would compensate for a short period of domestic under-performance – proved illusory. The problems with the international retail operations were threefold. First, because of the company's poor financial state, responsibility for foreign retailing was abdicated to outside agents. Second, these agents were not adequately obliged, motivated, or resourced to implement a retail strategy with appropriate marketing or operational support. Third, the nature of the contracts with these agents made it difficult for these deficiencies to be addressed. The company's agreements with foreign retail partners were such that the foreign parties retained excess control over the operational direction of their businesses, with central management largely powerless to intervene.

The British retailer has enjoyed an exceptionally successful international development, with steady expansion into the USA, Europe and Australasia. With a strong focus on product innovation and the presentation of a sophisticated and distinctive image, the company was secure in its home market before undertaking major international operations. Taking a disciplined approach to internationalisation, the company has been able to express the same differentials in foreign markets as it has at home. It did this by following a planned, stepwise and consistent approach to market entry, reinforced by strict control of its operations. By owning its foreign stores, the company was able to clearly express its brand values by controlling presentation and distribution. Meanwhile, the strict nature of its contracts with external agents has

meant that the company has retained power in its relationships with wholesale customers, licensees, and as its markets developed, retail franchisees. A disciplined approach to internationalisation, recognising that success required the coherent expression of the brand, substantiated by attractive products, efficient distribution and retail operations has resulted in an impressive record of success. As new markets have been exposed to this approach, the company has increased its sales volume, profits and profitability year on year for a decade, and outperformed comparable competitors convincingly.

### Conclusions

On a practical level, the study identified the primary importance of product quality, management control and selective distribution. The US-based company diagnosed problems in its product design department, and was compromised by recurrent manufacturing quality issues. Meanwhile, its products were inconsistently distributed, poorly presented in their retail environments, and its brand incoherently expressed internationally. Conversely, the UK-based company maintained a commitment to quality and product innovation, and ensured that it was able to support new foreign markets with adequate distribution, marketing and retail support. Therefore, it is logical to conclude that the three components contributing to international fashion retailer success may be identified as:

- (1) *Brand* – The retailer must own a compelling brand that can be coherently expressed across international markets and substantiated with products of an appropriate quality and appeal.
- (2) *Distribution* – The retailer's products must be distributed in accordance with its brand positioning, maintaining exclusivity where necessary by restricting supply.
- (3) *Retail operations* – The retailer's brand and product should be represented by stores and people who conform to the brand imagery.

Drawing these components together is the concept of management control. The US retailer abdicated control over its key components to foreign partners who were unable or unwilling to appropriately manage them. Meanwhile, the UK company built its international success on either retaining direct control over their three components, or by obliging its partners to be effective in their adoption of them. From an agency theory perspective, the US retailer had surrendered too much power to its agents, and lost control of the information flows between them. Information asymmetry existed in that central management had little idea of the reputation or success of their brands in foreign markets, while equally the foreign agents had neither the resources nor the competence to redress the situation. The UK retailer instead managed its agent relationships, despite operating a wide range of market entry methods. Foreign agents were uniformly controlled by legal agreements and were communicated with consistently. Similarly, power was surrendered only to agents whom the central management could trust and who were adequately qualified and resourced.

Doherty and Alexander (2004) propose that in establishing international retail networks, partners adopt a selection process similar to that undertaken during a traditional marriage situation. Thus decisions are based on mutually satisfactory characteristics, such as financial security or social position (i.e. brand exclusivity). It is

also implied that while financial considerations may be a significant factor in the decision between two business partners to “marry”, they should not be considered the pre-eminent consideration, especially as requirements change as the relationship evolves. This paper proposes that in establishing an international fashion retail network, the components for success as outlined above should be the key consideration, as only by maintaining a commitment to these can the relationship be assured of long-term success. In addition, the balance of power within the relationships between central management and international retail operations has to favour central management as they seek to implement a consistent operational strategy. As a consequence, the internationalising fashion retailer must retain control over the information flows between component parts while maintaining a clear commitment to its strategic objective.

Therefore, considering the management approaches to internationalisation, the main conclusion to be drawn is that international retailer success requires the central control of the three components of success. This may be done via centralised control structures (i.e. directly owned stores, centrally-arranged distribution and controlled marketing), or via appropriate management of the relationships with outside agents undertaking the operationalisation of the components.

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**Corresponding author**

Stephen Wigley can be contacted at: [S.M.Wigley@hw.ac.uk](mailto:S.M.Wigley@hw.ac.uk)