

FLAGSHIP STORES AS A METHOD OF ENTERING INTERNATIONAL MARKETS

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Abstract

Like other industries retailers have many choices for international expansion. Many scholars classified them in different ways or by different mode, but similar to all is desire to enter. Flagship stores can be a strategic way of market entry of foreign markets. They employed support and develop distribution activities in a certain desired market.

Flagship store is a particular retailer's store. It is given to a retailer's primary location, a store in a prominent location, a chain's largest store, the store that holds or sells the highest volume of merchandise, a retailer's most well-known location, a chain's first retail outlet, or the store location in a chain which carries the most high-priced merchandise catering to the most upscale customers. Due to its definition flagship stores are particular for the fashion retailers, especially luxury fashion retailers. Flagship store, for fashion retailers, are mostly opportunity for branding but also for international expansion of their products and entering into higher level of value chain creation.

More then ever retail markets are facing their supply into fragmented and diverse markets and consumers who are very informed (overload) so attempt to go abroad must be planed and particular for every market.

Every market has its story and every retailer has its stores but every store can tell the story, story that sells not only merchandise but way of living. The aim of this paper is to recognize "other" ways of entering international markets, and to deal with the question are flagship stores possible in other types of retail?

Keywords: flagship stores, international markets, retailers

1. INTRODUCTION

Flagship stores are core stores for brand name retailers, larger than their standard outlets, often found in prominent shopping districts such as Madison Avenue in New York and Tokyo's Ginza.

Shopping at flagship stores is a hobby for many shoppers and has been growing in popularity. As consumers become more demanding and time-restricted, some refuse to settle for less than the best possible shopping experience. A flagship store is the retailer's most prominent store, which is targeting high-income shoppers. These status symbol establishments are the preferred shopping destinations because they carry the widest selection of merchandise, provide high quality of service, and offer the most luxurious atmosphere. It is the brand. Many upscale retailers such as Prada, Cartier, Polo Ralph Lauren, A&F and Apple operate flagship worldwide. Recently American clothing and accessories retailer GAP opened flagship store in Shanghai in emerging China markets.¹

¹ <http://planetretail.net/News/Article/0/71207>

Flagship stores are market entry method for luxury fashion retailers. Fashion retailers are those firms that distribute clothing, accessories and other lifestyle which are exclusively designed and/or manufactured by/or for the retailer, exclusively branded with a recognized insignia, priced significantly higher than the market norm.

2. CHARACTERISTICS OF FLAGSHIP STORES

Three characteristics of flagship stores are: they carry only a single brand of product, they are company owned and they operate with the intention of building brand image rather than to generate profit for the company. Flagship stores are a fundamental method of market entry for luxury fashion retailers.²

These stores are distinguished from the rest of the international network by their scale and design, their location, set-up and operating costs. Flagship stores are significantly larger in scale than any other format operated by the retailers. Their larger scale enhanced the status of the brand giving the impression of a large brand that is significant and imposing.

Flagship stores are restricted to either established centers of luxury goods consumption such as London, Paris, Tokyo, Milan and New York or to «emergent» luxury goods markets such as Moscow and Shanghai.

Flagship stores differed in their design and physicality; they must have the best locations and the most prestigious address (Bond Street and Sloane Street in London and Fifth Avenue and Madison Avenue in New York). That is the reason of engagement of leading architects to design flagship stores. The involvement of these celebrated architects will bring to further distinction to the international flagships.

The flagship makes a significant contribution to brand profile building within a foreign market, these stores have a positive impact upon wholesale sales, new clients are often inspired and encouraged to stock the brand after having visited the flagship.

Flagship stores are identified as being distinguishable from the rest of the retail network due to their scale, design, location and set-up operating costs. Their decadent size provides a positive signal with regard to the identity and prestige of the luxury brand. Their design by world-renowned architects and their physicality often in historical buildings adds to their exclusivity. Entering an international market via flagship store provides a luxury retailer with strategic, brand building and market development advantages. The purpose of flagship stores is for something other than profit generation.³ The flagship stores contribute to the successful development of relationships between the luxury brand and its distribution partners, members of the fashion media and consumers.

2.1. Fashion retailers and flagship stores

The luxury fashion retailers also use their flagship stores as a venue to promote closer relationships between the brand and their distribution partners. These stores provide a venue for franchisee – franchisor instruction and education.⁴ The majority of the companies used the stores as a space to inform and train franchises about new business developments, new product ranges, merchandising as well as changes to operating procedures. The flagship store serves as a model for presenting the brand lifestyle concept.

² Moore, C. M., Doherty A. M., Doyle, S. A.: “Flagship stores as a market entry method: the perspective of luxury fashion retailing”, *European Journal of Marketing* Vol.44 No. 1/2, 2010 pp. 143, Emerald Group Publishing Limited.

³ Moore, C. M., Doherty A. M., Doyle, S. A.: “Flagship stores as a market entry method: the perspective of luxury fashion retailing”, *European Journal of Marketing* Vol.44 No. 1/2, 2010 pp. 150, Emerald Group Publishing Limited.

⁴ Moore, C. M., Doherty A. M., Doyle, S. A.: “Flagship stores as a market entry method: the perspective of luxury fashion retailing”, *European Journal of Marketing* Vol.44 No. 1/2, 2010 pp. 152, Emerald Group Publishing Limited.

The flagship store contributes to the development of positive relationships with fashion editors and stylists so flagships are used as venues to meet and entertain fashion journalists.

Flagship stores attract famous people and celebrities and their presence within flagship stores provides fashion journalists to write about that. The opening of a flagship store is an effective means to attract new and high-spending customers. The function and purpose of luxury fashion flagship stores is unquestionable, these places are expensive and extravagant but very important international market entry that is distinct and important.

3. INTERNATIONALISATION OF RETAILERS WITH FLAGSHIP STORES

Luxury flagship stores represent a strategic approach to market entry and generate the status – benefit for the retailer's brand. Their scale, architectural features, micro level location requirements and their high operating costs collectively prohibit and discourage the over – replication of these stores on an international basis.

Internationalizing luxury fashion retailers use flagships to support existing business within established markets, but these companies also recognize the opportunities that flagships provide in assuring the profile of a new brand within an emerging market. It is identified that wholesaling and flagship stores become inter – dependent channels of distribution.

The flagship stores sustain interest and market demand for the brand, which the wholesale stockiest satisfy through their distribution network, while the income from wholesale accounts offsets the cost of flagship store operations. The market entry methods are often symbiotic and complex in their interconnections.

4. CONCLUSION

Flagship stores play a critical role in relationship development. The principal function of the flagship is to establish awareness and interest in the brand within the foreign market. A flagship store opening initially attracts the attention of the fashion press, generates customer excitement and interest in the brand. The positive reaction to the flagship and to the brand demonstrates to current and prospective wholesale customers the commitment of the brand to the foreign market. The flagship store acts as a central point where the development of a relationship can begin. The flagship is typically the place where the whole collection is presented, where all three groups – customer, media and stockiest receive an education with respect to the function and features of the brand.

Fashion shows, launch parties and cultural exhibitions all illustrate how the function of the flagship extends beyond a selling space and becomes the context where the values and identity of the brand becomes much more than a name or the logo. The flagship maintains an important function as both a mode of foreign market entry but also as a means of enhancing business within international markets.

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