RETAIL IDENTITY & DISTRIBUTION STRATEGIES

Module 5

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M5 - Content

Retail Identity & Distribution Strategies

1. Retail Management: Setting the Scene
2. Global Retail Trends
3. Channels & Formats
4. Retail Strategy
5. How to Build and Manage the Retail Identity
6. Customer Experience
7. Online Channel

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Retail Management

Retail Management: Setting the Scene

Taking the perspective of brands that need to manage their distribution strategy

Historically, there are two main different distribution channels to do so:

> **Wholesale Channe**l: fashion or luxury brands give a distributor or retailer the rights and tools to distribute their product. So far it has been a **Business to Business** logic, with a **sell-in** perspective with the customer being the trade.

> **Retail Channel**: the brand directly manages the distribution channel with a **Business to Consumer** logic and a **sell-out** perspective. The customer is the final consumer and the company acts as a retailer.

Recently, a new channel has developed, where geographical boundaries have been overcome:

> **Transnational Channel**: e-commerce and travel related

Retail Management

Retail Management: Setting the Scene

In the Past:
The wholesale Channel was the main channel for distributing fashion and luxury brands, in particular in Europe.

Today:
Most of the fashion and luxury companies, in all markets segments, from luxury to mass, have become retailers.

Objectives:
1. Capture the retail margin,
2. Collect relevant information about the customer and the sell out,
3. Better engage with the customer controlling the brand's image

An **actual trend** is called the **omnichannel**, where offline, wholesale, retail, and online channels are converging to deliver a seamless customer experience.

Watch this interesting presentation about Omni-Channel | http://vimeo.com/97521845

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Global Retail Trends

1. New Business Models and Retail Formats

> **fast fashion retailers**, like Zara, H&M

> **online e-commerce platforms** like Asos, Yoox, Net-a-porter

> Transformation within department stores of corners into **concessions**, retail spaces that brands rent and manage by themselves in terms of staff, assortment, and retail operations

> **multi-brand stores** which became different and more appealing, like Colette in Paris, Dover Street in London

> Upgrade of **departments stores** from premium to luxury creating a much more appealing selection and customer journey, like Printemps in Paris, La Rinascente in Milan

Global Retail Trends

2. The Globalization of the Retail Presence of Fashion and Luxury Brands

> all the brands are present in all the major capitals of the world, side by side

> the "location game" which everyone looking for the best location in terms of street, department, and floor

3. The Evolution of the Consumers on Emerging Markets

> in Asia the distribution is much more retail than wholesale driven with respect to Europe

4. The Customer Experience

> the right customer experience for the individual customer, in terms of age, generation, nationality; at all touch points, online and offline

Watch this interesting video about the future of retail | http://www.youtube.com/watch?v=t49JkakYAoE

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Channels & Formats

Distribution Channels: Wholesale, Retail, Transnational

The key issue in managing distribution is how to build and/or maintain your brand identity and image through a variety of channels and formats

The three main channels are:

> the **Retail Channel**, the directly operated channel with DOS (direct operated stores) and franchising. There is a **sell-out** logic with a **B2C** prospective

> the **Wholesale Channel**, where there are the trade partners that are managing the distribution for the brand. There is a **sell-through** logic with a **B2B** prospective

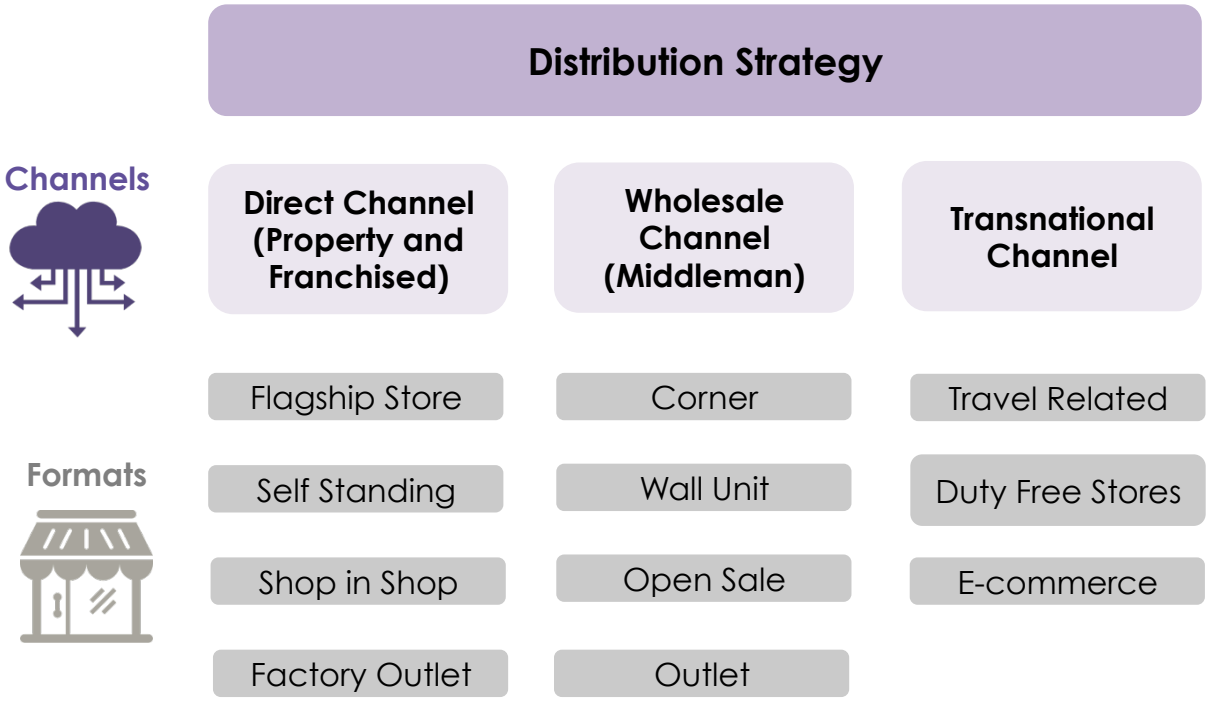
> the **Transnational Channel**, where the geography is not so relevant because there are global formats such as **travel retail** with duty free stores and the **internet** with online sales

Channels & Formats

Retail Formats within Distribution Channels

Within these three channels there are different retail formats available

The format of a retailer is its overall structure and appearance (location, size and assortment)



Channels & Formats

Wholesale versus Retail: Pro and cons

Wholesale Business

> High diffusion

> Lower margin of contribution

> Less investment risk

> Lower brand image

> Credit risk

> No complete control over merchandising



Retail Business

> Fewer distribution channels (main cities)

> High margin of contribution

> High investment risk (key money*)

> Stronger brand image

> Organization complexity

> Complete control over merchandising

**key money*: a payment made to a building manager, or landlord by a potential tenant in an attempt to secure a desired tenancy.

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Channels & Formats

Formats within the Retail Channel

In the **Retail or Direct Channel** there are four store formats ordered by dimension (the size of the in-store assortment and possibility to control the brand image):

> **Flagship Store**, usually a huge space, in a top global fashion capital, street level only, really the theater of the brand, owned and managed directly by the company. Offers the brand's global image and lifestyle concept(s) through the offer of all brand products categories. Maybe there's even a coffee shop and/or leisure areas.

> **Self Standing Store**, a boutique of the brand in the main street, smaller than the flagship store, with a large selection of the brand's assortment

> **Shop-in-Shop Store**, the store is inside an independent retail entity, shopping mall, or department store. The brand offers the main product categories and has dedicated sales people

> **Factory Outlet**, directly owned and managed by the brand

Channels & Formats

Formats within the Wholesale Channel

In **Wholesale Channel** there are four formats:

> **Corner**, an area in department stores or multi-brand stores where the assortment and the brand image is recognizable, but the management is in the hands of the wholesaler

> **Wall Unit**, a space where you can usually find shoes, leather goods, and/or accessories

> **Open Sale**, a retail space at the lower level of department stores with a multi-brand offer focused on one product category such as accessories, jewels, interior deign, etc.

> **Outlet**, managed by the retailer

Read this interesting article about booming outlets in Europe | http://www.businessoffashion.com/2013/03/value-retail-outlet-shopping-investors.html

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Channels & Formats

Formats within the Transnational Channel

In **Transnational Channel** there are the following formats:

> Travel retail, Duty Free Stores represents a booming business, becoming the new shopping destination. Fashion and luxury companies are investing a lot here.

> **E-Commerce**, company website managed by them or a third party

Read this interesting article about travel retail | https://www.businessoffashion.com/articles/intelligence/as-sector-shifts-travel-retail-taps-travellers-beyond-traditional-corridors-global-blue-dfs-group

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Retail Strategy

Managing the Retail Strategy and Process: Key Activities

> **Definition of retail formats**, right numbers, right structure, right locations across the different geographical areas and locations

> For each format define the **kind of selection**, **assortment**, **service levels**, **mix of products**, **pricing** levels you want to offer to a specific target

> **Field marketing**, relational marketing activities, the customer database, events on the point of sale, communication activities, direct marketing

> **Retail operations**, in-store service policies

> **People management** and retail training

Retail Identity

How to Build and Manage the Retail Identity

How to transfer the brand codes in term of style and communication into a retail space?

The drivers or tools that can be used to work on retail identity management are:

> **Location** makes the positioning. Exclusive, selective, high traffic, mainstream, etc.

> The **windows**, first contact with the customers

> The **layout**, such as free-flow, circular, etc.

> The **visual merchandising**

> The **furniture,** fixtures, etc.

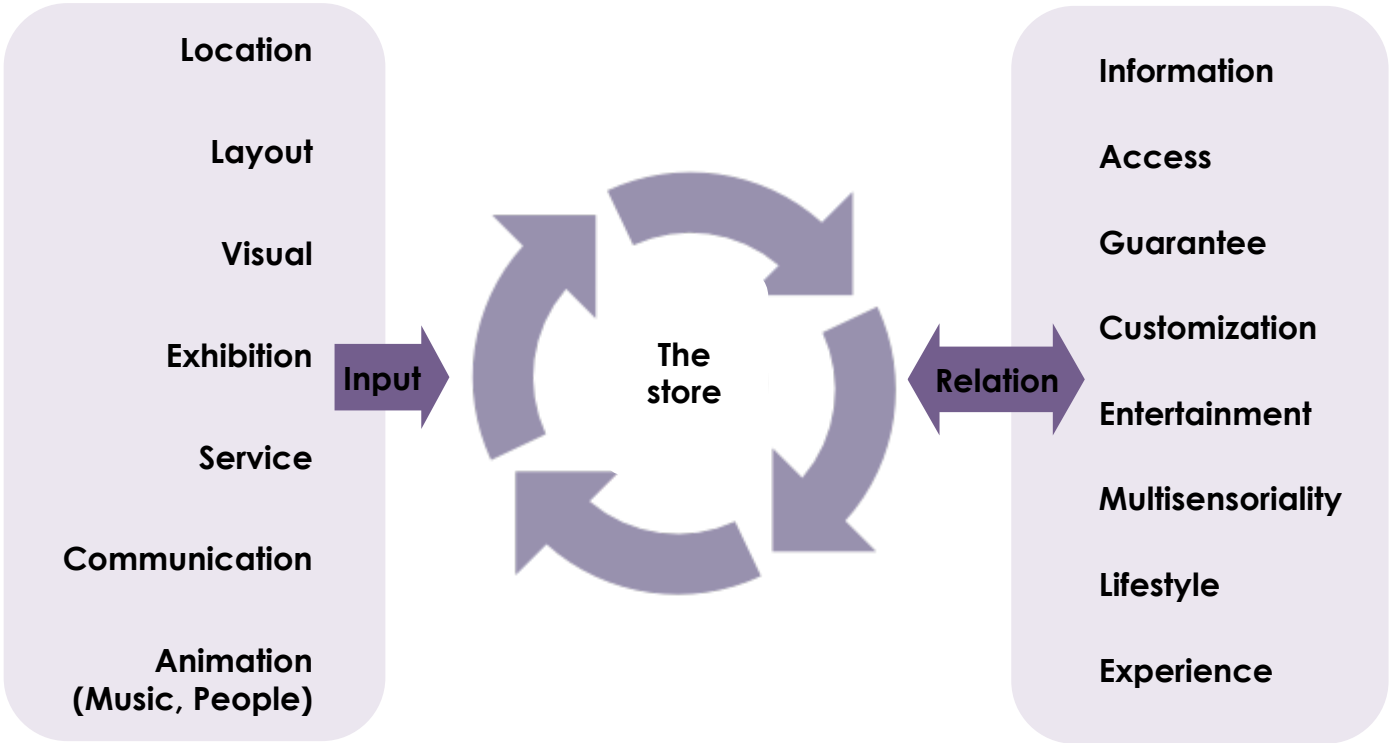
> The **staff**, how they are managed, how they are dressed (their) uniforms, the kind of services, the way they interact with the customer, etc.

> **Animation** through technology

In a omnichannel prospective the retail identity has to be built in a consistent way across distribution channels: retail, wholesale, and online

Retail Identity

How to Build and Manage the Retail Identity



Customer Experience

How to Design a Customer Experience

In the past the store was a place where the customer was used to picking up the product and paying: that is finding the best product according to their needs at the best price.

Today the store is a theater where the customer comes for many reasons:

> to be **informed**, as in the past

> to be **educated**, in particular in new markets

> to be **entertained**

Companies take these three elements into serious consideration because they have to be evident not only in physical store, but also online. The touch points of customer journey are mixed between online and offline

Learn about the **showrooming** phenomenon | https://www.wsj.com/video/howrooming-hits-luxury-fashion/BC56D72E-781F-4440-AD78-109865C6A649.html

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Online Channel

Key Facts

For a long Fashion and luxury companies have resisted the e-commerce channel and associated the online with discounting and counterfeiting

A recent study by McKinsey and Altagamma found out that

> the evolution of pure online sales will rise from 4% of total sales in 2012 to 6% of total luxury sales expected for 2017

> **25% of off-line sales will be influenced by** the digital journey of the customers

About **65% of the business online** is made up of two categories that are **luxury accessories** and **beauty**

The best performing **format** is the online **monobrand store**, in particular of brands and department stores

Article by McKinsey and Altagamma | https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/digital-luxury-experience-keeping-up-with-changing-customers

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Online Channel

Business Models Online

The players in fashion and luxury digital world are:

- **Full Price Players**
  We have two business models:
  > **brand websites** managed directly by brands or powered by other e-tailers
  > **multibrands websites**, that can be:
  >> **Hybrid**, players that started offline and at a certain moment in time they engaged e-tailing quietly successfully
  Department stores like Neiman Marcus or
  Multibrand boutiques like Luisa Via Roma
  >> **Pure Play E-tailers**, this is the case of brands platforms such as Asos, Net-a-porter, Zalando
- **Online Outlets**, where the leader is the Italian group Yoox
- **Event or flash Sales**, in this case players are competing on timing, a certain assortments on a limited time, such as Vente-Priveé

Read this interesting article about how to be different among e-tailers | https://www.businessoffashion.com/articles/opinion/op-ed-fashion-e-commerce-service-key-differentiator

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Online Channel

How are Fashion and Luxury Brands Competing in the Digital Arena?

There are three main approaches to the digital channel:

- **Big players with a digital multi-channel approach** meaning that they are present on their website and on multi-branded platforms, usually they make full use of social media and they are really engage in the strategy

- **Players more focused on own digital stores**, they use digital as a marketing tool or as an entry point for aspirational customers

- **Players that are more niche**, specialized in terms of products categories, that use the digital world as a showroom



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Online Channel

How are Fashion and Luxury Brands Competing in the Digital Arena?

We expect that the digital channel will become just a channel among the many others

> companies will develop their digital branding strategy and their digital branded customer experience

To better establish the brand awareness and image, brands are entering into collaborations with online players

This is the case of Vente-Priveé, a French company that introduced the innovative model of flash sales in Europe

Read this interesting article about trends online | https://www.huffingtonpost.com/fueled/virtual-reality-and-retai_b_5594653.html

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