

COMMERCE

Ecommerce provides a testing ground for bricks-and-mortar expansion

January 13, 2015



Belstaff Kilton Skirt

By SARAH JONES

NEW YORK - Global expansion requires a balance of physical and digital, said a Belstaff executive at the NRF Retail's Big Show 2015 on Jan. 12.

[Sign up now](#)

Luxury Daily

Ecommerce and social media offer brands an opportunity to test the waters in new markets, allowing them to see how much traction they have with consumers there. In turn, bricks-and-mortar boosts online commerce sales, rounding out a brand's presence in a particular country.

"The question most people will face is will we lead with digital or physical?" said Allison Conway, global ecommerce director at [Belstaff](#).

"For us, [digital is] a great way to test the markets, and see where you have traffic and interest," she said.

Mapping a strategy

Belstaff has only 12 physical points of sale around the world, six of which are flagship stores.

Rather than extensive localization, the brand operates ecommerce sites specific to the

United Kingdom, United States and German markets. In tracking the traffic to its ecommerce site, Belstaff noticed that it was seeing more visitors from Canada, Australia, China and Russia.

Comparing those markets to research on luxury goods, Belstaff saw that it was missing out on some of the most promising regions, including China, which makes up 28 percent of spending in the luxury sector. Instead, they were in markets with the lowest per capita spend.



Belstaff flagship on New Bond Street in London

Belstaff looked at CRM data, noting international customers shopping in its existing stores. It also considered the available infrastructure from its sister brands under the JAB Holdings umbrella, including Jimmy Choo and Bally.

Based on the combined social media engagement and the benefit of Bally's warehouse in South Korea, the country emerged as the winning choice for expansion.

After testing with ecommerce, Belstaff partnered to open physical stores.

South Korea required a different marketing strategy, since Asians usually equate luxury with soft, delicate items. The brand has also focused on expanding its product range to include more summer products, since there was less demand for heavy outerwear in the market.

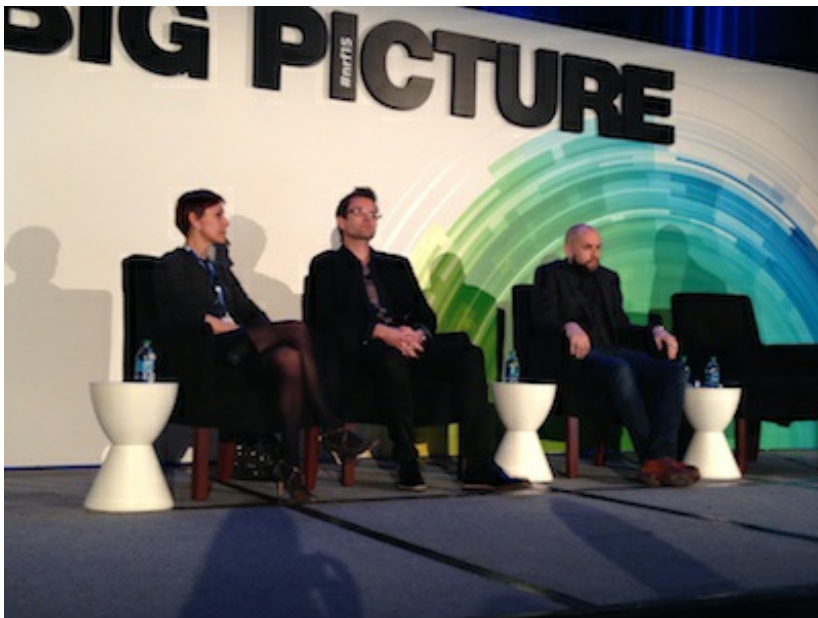


Belstaff spring/summer 2015 looks

There was also a necessity for brand awareness. Consumers were liking the product in-store and purchasing but were returning merchandise at a higher rate than in other locations, experiencing buyer's remorse when they got home and their spouse didn't know the brand.

In general, Belstaff is looking to expand its social media to build awareness.

Compared to Belstaff's growing and testing, ecommerce site Farfetch has been international from the beginning. Its business model was based on offering consumers the opportunity to buy from independent boutiques globally, with 85 percent of its sales representing cross-border transactions.



Panelists, from left: Allison Conway, Andrew Robb and Simon Taylor

However, Farfetch did have an expansion path in terms of which areas of the world it shipped from. It started with five countries in Europe and eventually added boutiques in the U.S., Brazil and other nations.

Shipping overseas can be difficult, since duties change the price of merchandise, and

they are typically non-refundable. It can also be tough for consumers to know what to do to complete a purchase from a particular Web site, due to language differences.

Farfetch found a Korean blog post that meticulously went through the steps of making a purchase on the site.



Farfetch promotional image

What is most important is making sure there is a good enough reason for consumers to want to exert extra energy to make a purchase, by having merchandise they can't get at stores in their home country.

"Customers will go through the pain if you have a proposition that appeals to them," said Andrew Robb, COO of [Farfetch](#).

Even though consumers will go to lengths to buy, it still helps to establish a good customer experience.

"Start at the end point and work backwards," Mr. Robb said. "Get the customer experience right, and then work on localization after."

During the holiday season, Farfetch began offering click-and-collect service, letting consumers purchase an item online from one boutique, and then have it shipped to one of more than 100 boutiques globally. This allows the approximate 300 independent boutiques selling on Farfetch to benefit from a similar shipping feature as a department store, and allows consumers to have a personal in-store experience when picking up their online order ([see story](#)).

Staying true

Fast fashion retailer New Look tries to set itself apart with its pricing strategy as it expands globally with help from partnerships with third party retailers.

Some of the biggest lessons it has learned as it moves into new markets is that shopping habits differ, for instance cash upon delivery is common in some Asian countries.

"I think what we've learned is it's easier to do business in your local market and close to home," said Simon Taylor, head of new partnerships at [New Look](#). "[But] you have to take it a step further."

Part of the difficulty for luxury brands is worry that the brand image will be tarnished.

Luxury brands struggle to maintain reputation when branching out to new markets, according to a new study by ACE European Group.

Emerging consumer markets are a key target for luxury brands, but brands have to consider the risks before diving too deeply into a market. Since a brand's reputation is vital to its survival and the hardest risk to manage, it must be cautious when expanding to new locations ([see story](#)).

As luxury brands dip their toe into new territory, they have to find the physical and digital mix that works for them.

"Make sure that your brand is serviced in terms of the handwriting of the brand, the pricing of the brand," Mr. Taylor said.

"Chicken or the egg, I'm not really sure," he said. "Maybe it's both at the same time."

Final Take

Allison Conway, global ecommerce director at Belstaff, New York

Embedded Video: [//www.youtube.com/embed/wjVCswcOcmw](https://www.youtube.com/embed/wjVCswcOcmw)

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.