

RETAIL

Protectionism, nationalism pushing business to adopt localization: A.T. Kearney

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Shiseido is one of the luxury brands taking a localized approach. Image credit: Shiseido

By SARAH JONES

While globalization was the prevalent growth plan in recent decades, geopolitical movements are causing companies to adapt to a more fragmented world with market-specific structures and strategies.

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According to a new report from A.T. Kearney, about nine in 10 firms are either embracing localization or looking into it, putting focus on their home market or tailoring their operations to each of their international locations. A.T. Kearney's analysts argue that decentralization and locally integrated companies are the ones that will succeed in today's climate.

"Geopolitics is affecting global businesses more today thanks to rising populism, nationalism and protectionism," said Courtney Rickert McCaffrey, manager of thought leadership in strategy and management consulting firm [A.T. Kearney's](#) Global Business Policy Council.

"While luxury brands may not face such sentiments among their consumers, their supply chains may still take a hit," she said. "As trade tensions escalate, luxury brands directly are at risk of getting caught in the political crosshairs."

Policies and preferences

There are a number of forces at work today pushing companies to lean less on globalization.

Political movements such as Brexit and President Trump's election reflect the growing protectionist sentiment around the globe. This move towards nationalism is also apparent in trade, as countries including the United States have issued additional trade barriers on foreign goods, and Britain's agreements with the rest of the European Union remain up in the air.

According to a recent study from the United States Fashion Industry Association, along with concerns about more tariffs, fashion executives are fretting more over increased production and sourcing costs than they did last year. A key target of President Trump's trade disputes is China, which is the top international source for textiles and apparel, leading fashion companies to think about changing their supply model ([see story](#)).

Meanwhile, consumers are showing a preference for locally made products. For instance, an Ipsos poll found that

70 percent of Americans feel it is at least somewhat important to buy items made in the U.S.



Americans favor U.S.-built products. Image credit: Lincoln

Beyond supporting the local economy, consumers turn to products made nearby as a sustainability tactic to avoid the environmental costs tied to shipping.

Localization of products used to revolve around the late stages in the supply chain, but the report notes that businesses are pushing out more unique items tailored to specific markets. For instance, in beauty Lancôme developed Asian-inspired versions of its Énergie de Vie line, while other companies cater to local markets by putting different scents into products such as shampoo.

Along with changing consumer preferences, governments are pushing companies to produce more in their home countries. In international markets, companies are also being prodded to partner with domestic players or hire locally.

Additionally, production is being brought back locally in part thanks to industrialization efforts. The fourth Industrial Revolution is reshoring production in developed nations courtesy of technology such as 3D printing.

Today, consumers, investors and employees often choose to support companies whose values align with theirs. Having a local strategy can help companies tap into and react to the values of particular communities.



Stella McCartney details its sustainability practices through a digital hub. Image credit: Stella McCartney

Per A.T. Kearney, effective “multi-local” companies decentralize operations such as marketing, processes and production, tailoring their tactics for specific communities at the regional, national or city level. However, this creates a more complex and challenging business model.

The authors note that for some businesses, having a multi-national footprint might therefore not make sense in the current environment.

A.T. Kearney suggests looking at which countries best align with a company’s value proposition to determine where it makes sense to have operations. If a current market is not a strong fit, it might be best to pull out.

Global businesses should also investigate how much competition they are facing from local players and what local tastes are. This can help to not only drive operational strategy but also product customization and development.

Companies have to pay attention to local policies on trade and industrialization to weight the costs and benefits of

setting up regional production. For instance, Harley Davidson responded to a 31 percent tariff on motorcycles entering the E.U. by announcing it would open production in Europe.

"Global businesses need to conduct a sensitivity analysis for the protectionist risk of their inputs and final products to determine how globalized their supply chain should be in the current trade environment," Ms. Rickert McCaffrey said. "They may need to consider hedging strategies for the supply of raw materials or other inputs, particularly if they are sourced from a single, politically-sensitive market."

Localizing luxury

Beauty brand Shiseido refocused its production in its home nation Japan, catering to the cachet of Japanese cosmetics.

For its latest makeup launch, Shiseido is breaking down silos. Instead of housing different aspects of the campaign in one office, Shiseido has broken it up across the world, with each region taking on the best job for its skillset.

For instance, the center of excellence in the Americas will be working on the digital components of the makeup campaign and the cosmetics themselves, while Japan's executives work on the skincare aspects of the products ([see story](#)).

Ferragamo is similarly using a "glocal" strategy for buying ([see story](#)).

Other luxury brands have catered to the tastes or history with a particular market through a local approach.

Swiss apparel and accessories label Bally reintroduced an iconic design for today with a streetwear-style launch exclusively in the U.S.

Originally introduced in 1991 to celebrate the Swiss federation's 700th anniversary, the Bally Animals design was given an update as the motif was placed across ready-to-wear, shoes and accessories. Intended to pay homage to the hip-hop scene of the 1990s that developed out of New York and New Orleans, Bally's collection simultaneously honors its heritage ([see story](#)).

"Luxury companies are in some ways innovators in terms of multi-local strategies, particularly with respect to tailoring their product design and marketing to Chinese consumers," A.T. Kearney's Ms. Rickert McCaffrey said.

"But luxury companies could learn from other consumer goods companies in terms of engaging with all their stakeholders, including employees and suppliers, to ensure that their supply chain is clean and that workers are treated well," she said. "These values are especially important to millennials and other younger generations of aspiring luxury consumers."