



# Integrating international fashion retail into new product development



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## ABSTRACT

The integration of new product development (NPD) and the supply chain (SC) has been extensively analysed by researchers as a critical means to achieve success. However, most studies have focused on the integration of NPD and upstream SC, mostly from a local perspective. This paper aims to develop a comprehensive framework to investigate the integration of the NPD process and international retail in the fashion industry with a contingency approach. In particular, the internationalisation of retail is analysed by considering the influence of foreign countries' characteristics on NPD. To achieve this goal, thirteen exploratory case studies of Italian fashion companies are performed. The cases allow the identification of the framework variables as well as the analysis of the relationships among those variables. Finally, three main archetypes of behaviours are identified.

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## 1. Introduction

New product development (NPD) is a process that facilitates the transformation of a market opportunity and a set of assumptions about a product's technology into a product that is available for sale (Krishnan and Ulrich, 2001). A substantial body of literature on the NPD process has examined the importance of involving external actors in this process, especially in the supply chain (SC) (e.g., Khan and Creazza, 2009; Pero et al., 2010). From this perspective, two main groups of approaches can be mentioned that are primarily focused on the early involvement of suppliers to reduce NPD costs through the creation of simpler products (Petersen et al., 2005):

- Some authors tend to focus on NPD, identifying the contribution of SC by anticipating SC constraints at the early stages of NPD (e.g., Krishnan and Ulrich, 2001);
- Other authors are more SC-oriented and investigate how supply chain design is impacted by product structure (e.g., Salvador et al., 2002).

From another perspective, some authors have noted the implementation of a market-oriented strategy that involves the final customer in the NPD process. For example, Anderson-Connell et al. (2002) presented four levels of involvement of the customer in NPD (i.e., clothes clones, totally custom, co-design, and design options).

Moreover, other authors have mentioned the importance of integrating retail into NPD (Abecassis-Moedas, 2006) despite its complexity (Khan and Creazza, 2009). This relevance is confirmed by evidence that several retailers are internalising the NPD process and using their customer knowledge as a key advantage (Abecassis-Moedas, 2006).

The fashion industry presents interesting elements in relation to the NPD process, such as the high frequency and speed of the process (Abecassis-Moedas, 2006). Moreover, managers operating in this field must address the internationalisation of the industry, including the need to compete at the global level and to penetrate new markets to remain competitive (Ganesan et al., 2009; MacCarthy and Jayarathne, 2009). To remain competitive in the international arena, companies must incorporate local styles through coherent management of the NPD process, making this process particularly challenging (Ganesan et al., 2009; Sandberg, 2010).

However, despite these considerations, an analysis of the integration of NPD and retail is still lacking. This paper aims to develop a comprehensive framework to investigate the integration of NPD and international retail to meet the requirements of international markets given the specific characteristics of different countries with a contingency approach. The paper is oriented towards managers who must cope with the new challenge of internationalisation and to academics interested in the research streams of internationalisation and the NPD process. The paper has, first, the purpose of describing the state of the art of the integration of NPD and international retail. Second, the paper has the explanatory purpose of highlighting existing relationships among different variables and identifying external variables that can discriminate between different behaviours. The results of the paper provide evidence of the main variables that must be considered when handling these problems and the relationships among these variables. Finally, the paper identifies three

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archetypes of behaviours in terms of the integration of international retail and the NPD process, which are characterised by different contingent settings as well as by different performances. The paper is organised as follows. In [Section 2](#), the literature review is presented, and in [Section 3](#), the research questions and the preliminary research framework are described. [Section 4](#) addresses the research process and the methodology. [Section 5](#) presents the variables related to the integration of the NPD process and international retail. [Section 6](#) illustrates and discusses the results. Finally, [Section 7](#) reports concluding remarks and suggests future research paths.

## 2. Literature review

In this section, the literature review is presented. In particular, the first paragraph discusses the phenomenon of retail internationalisation in the fashion industry. Then, the main features of the NPD process for the industry are illustrated. Finally, the contingency theory is briefly summarised.

### 2.1. Internationalisation of retail in the fashion industry

Since the 1990s, the fashion industry has become increasingly international due to important phenomena such as the removal of the multi-fibre agreement in 2005, the economic crisis of 2008, and the saturation of mature and traditional markets. These phenomena have disrupted the traditional models of the industry, leading to greater importance of the final customer due to lower demand ([Abecassis-Moedas, 2006](#)) and stronger competition at the international level against global competitors ([MacCarthy and Jayarathne, 2009](#)).

In spite of this growing importance, research about international retail is an emerging discipline compared with the manufacturing sector ([Bianchi, 2009](#)). However, the internationalisation of retail is especially critical from a twofold perspective: on the one hand, it assures contact with a large number of customers, thereby allowing increasing sales; on the other hand, it is a challenging approach because companies must be able to adapt to the characteristics of international consumers ([Vida and Fairhurst, 1998](#)). Indeed, competition in foreign markets has increased the relevance of retail because it is often a company's only contact point with the final market and is in a privileged position to understand the needs of international customers ([Brun and Castelli, 2008](#)).

The literature about international retail takes various perspectives:

- Some researchers have followed the approach oriented towards analysing the scale and extent of international expansion (e.g., [Courault, 2005](#)), the motivations for internationalisation (e.g., [Etagar and Rachman-Moore, 2008](#)), and modes of entry in foreign markets (e.g., [Doherty and Alexander, 2006](#); [Quinn and Doherty, 2000](#)).
- Other authors have analysed the characteristics of retail for entry in these markets, focusing primarily on the most suitable approach ([Quinn and Doherty, 2000](#); [Doherty and Alexander, 2006](#)).
- Some authors have developed in-depth studies about single countries or areas, such as Turkey ([Eren-Erdogmus et al., 2010](#)), Chile ([Bianchi, 2009](#)), Europe ([Dawson, 2001](#)), Canada ([Hernandez, 2003](#)), and India ([Halapete and Iyer, 2008](#)). From this perspective, internationalisation in emerging markets has received considerable attention from researchers in recent years ([Arnold and Fernie, 2000](#); [Eren-Erdogmus et al., 2010](#)).

However, although the literature about retail internationalisation is quite broad, few studies have analysed the management of

processes to remain successful in the market ([Ganesan et al., 2009](#); [Sandberg, 2010](#)). Moreover, most of these studies focus on a single country or area without comparing different countries, particularly mature and emerging countries.

### 2.2. New product development in the fashion industry

The output of the NPD process in the fashion industry is the collection, a seasonal set of products developed by a company that takes into consideration customers' needs, tastes, fashion, and usage ([Aktuglu, 2001](#)). The NPD is a key process for the fashion industry because of the intrinsic features of the industry: final products are very volatile, so companies are required to perform the entire process at least twice per year with a high level of innovation ([Redfern and Davey, 2003](#)) to consider both technical ([Garcia and Calantone, 2001](#)) and creative features ([Schweizer, 2002](#); [Cappetta et al., 2006](#)) and because the process is driven by external constraints (e.g., catwalks, textile exhibitions) ([Tyler et al., 2006](#)).

This process has been studied extensively in the literature from various perspectives:

- Some authors have addressed the phases of the NPD process for the fashion industry. For example, [Kincade et al. \(2007\)](#) described the NPD process as being composed of four main phases (i.e., idea and research, line conceptualisation, preparation for production, market preparation).
- Other studies have highlighted the factors influencing the NPD process in the fashion industry, such as internal factors, which are all of the factors the firm is able to directly modify (e.g., sales trends, business trends, target customers, employees' suggestions, market analysis), and external factors, which are all of the environmental factors that are not directly influenced by the company (e.g., global market trends, competitors' actions, governmental actions, supplier production capacity).
- Other authors have discussed the main order winners for this process in the fashion industry ([Kotler and Rath, 1984](#)), such as the optimisation of time-to-market to overwhelm product proliferation as well as the short life cycle of products, the minimisation of product inventories, and the importance of managing the NPD process but in collaboration with other internal processes rather than in a stand-alone way ([Van Hoek and Chapman, 2006](#)).

This literature stream confirms the importance of investigating this process for the fashion industry because this process continues to be perceived as the most critical and profitable one.

### 2.3. The contingency theory

The contingency theory has been applied on several occasions to study NPD problems (e.g., [Kok and Biemans, 2009](#)). According to the contingency theory, organisations adapt their structures to fit contextual factors in an attempt to attain high performance ([Donaldson, 2001](#)). In major details, contingency theory initially was used to understand the configuration of different organisations, thus suggesting that there is no single best organisational structure that is highly effective for all the organisations. The optimal structure is contingent upon several factors, in opposition to the classical management school, which held that there was a single organisational structure that could fit all types of organisations ([Donaldson, 1996](#)). As illustrated in the [Fig. 1](#), the contingency theory analyses three groups of variables ([Sousa and Voss, 2008](#)):

- The context variables represent those elements that describe the situational characteristics either of the company or of the

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