Exploring the role of intrapreneurs in the luxury department store context: Navigating impacts of industry disruption and Millennial consumer behavior

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Over the past decade, there has been a steady decline in the luxury department store segment, yet, an increase of 32 percent in the demand for luxury goods (Giovannini, Xu, & Thomas, 2015). Marzilli and Harris (2017) suggest that potential contributors to this decline include limited customer and transaction growth, growing competition, and growth of omni-channel strategies. In light of unprecedented retail industry change and disruption (Dennis, 2017), it is critical that luxury department store intrapreneurs, entrepreneurs who exist within larger organizations (Antoncic & Hisrich, 2001), take action to ensure business success. According to Antoncic and Hisrich (2001), intrapreneurs are considered an important element in long-term business sustainability. Innovative approaches that may be considered by luxury department store intrapreneurs include finding new ways of doing business, new approaches to identifying opportunities (Vesper, 1990), and promoting the spirit of innovation and entrepreneurship inside the larger organization (Hisrich & Peters, 1998). Together, these actions could be important elements needed to create a thriving luxury department store. Lindsey (2015) notes new, innovative opportunities are needed to revitalize the luxury department store sector.

Existing academic research on luxury department stores has tended to focus on fashion branding and strategy and employ qualitative methods (e.g., Moore & Doherty, 2007). Literature regarding luxury department stores also addresses stores as tourist attractions (i.e., Pantano & Dennis, 2019) and sustainability strategies (i.e., Arrigo, 2018). Further, while older studies are noted on the concept of intrapreneurs (Burgelman, 1983; Guth & Ginsberg, 1990; Schollhammer, 1982; Vesper, 1990), no current literature addresses intrapreneurship in the context of the luxury department store or related to present industry disruptions. Thus, there is a decided shortage of research on luxury department store retailing and virtually no existing literature on how the luxury department store intrapreneur may strategically address the changing competitive environment. Therefore, this conceptual study proposes a framework for exploring the role of the luxury department store intrapreneur during times of disruption in the fashion retailing industry.

A conceptual model, adapted from von Bertalanffy’s (1968) general systems theory, was developed to examine the interactions and interdependencies of the Millennial luxury consumer and the luxury department store, within the context of the evolving retail environment. This perspective allows for the examination of industry disruption and its influence on the structure, function, and sustainability of the luxury department store. It posits that industry and environmental disruptions in the marketplace impact the inputs, structure, and sustainability of the luxury department store. For this study, the focus will be specifically on the system inputs of industry disruptions, together with forces imposed by Millennial consumer behavior, and their impact on strategic behavior of the luxury department store intrapreneur.

A close up of text on a white background

Description automatically generated Disruptions in the retailing industry have been caused by a number of observed shifts in consumer behavior, which have in turn created comprehensive change in retailing processes as a whole. Luxury department stores, such as Neiman Marcus, have experienced a decline in sales (Dennis, 2017) and purchase consideration by consumers for luxury department stores has also dropped (Marzilli & Harris, 2017). According to Dennis (2017), reasons for the decline in luxury department stores include not only major retail industry disruptions (e.g., technology, shifting consumer behavior), but also the strong dollar’s impact on foreign tourism, a weak oil market, and growing competition. While the market is saturated with competitors, Dennis (2017) also points to the drastic change in consumer buying habits brought about by e-commerce and the rise of fast fashion. As luxury retailers are losing some of their loyal customers due to aging, they are struggling to gain attention from the younger generation (Dennis, 2017).

*Figure 1.* Conceptual Model.

The structure of the luxury department store, which includes its decision makers (i.e., executive level individuals or those who are divisional leaders and key decision makers in core functional areas), or intrapreneurs, must react to ensure long-term business sustainability. Despite the recognition of retail decision makers as a strategic function upon which the success or failure of the business relies, this concept is relatively unexplored in the context of luxury fashion brands or larger department stores (Perry & Kyriakaki, 2014). For luxury department store decision makers, it is crucial to correctly balance the requirements of meeting demand by correctly forecasting consumer purchase preferences as well as attempting to shaping tastes, in order to minimize the amount of unsold stock at the end of the season which the brand may not permit to be discounted (Perry & Kyriakai, 2014).

Ultimately, findings based on this conceptual model will provide rich and thick data to understand the role of intrapreneurs in the luxury department store setting. The model also takes into account changes within the industry and changing consumer preferences. An initial test of the conceptual model will address four key research questions: (1) What does it mean to be an intrapreneur in the context of a luxury department store? (2) What qualities/characteristics are required for an intrapreneur working for a department store? (3) How has the role of an intrapreneur working for a department store shifted in the presence of industry disruptions? (4) How important is the role of an intrapreneur working for a department store during this disrupted time in retailing?

This information will be valuable to the luxury department store practitioner as it provides support for strategic adaptations to ensure customer attraction and retention, as well as business sustainability. Further testing of the model may lead to innovative strategic approaches that will increase foot traffic, not just of the dynamic Millennial consumer group, but also other consumer segments. By 2020, the spending power of the Millennial cohort will rise to 1.4 trillion in the U.S. and it will represent 30% of the U.S. consumer population. Information obtained in the next phase of model testing will also illuminate the target customer profile. The shopping and product preferences, and customer expectations for Millennial luxury consumers is relevant information that all retailers will need to understand to drive satisfaction, continued patronage, and their bottom line. Further, the model can serve as a framework for identifying sources of disruption and thereby aid the luxury department store in addressing challenges experienced in the evolving retail marketplace.

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