

A Case Study Analysis of Local Luxury Fashion Store's Survival in Small Towns

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The worldwide personal luxury market was valued at 312 billion USD in 2019, increasing at a constant rate every year (Miura, Kai, Furukawa, Mori & Kwon, 2021). The term luxury can be characterized by supreme quality, innovative design, exclusivity, and a high price tag (Arrigo, 2018). Retail is considered one of the major segments in the luxury market, including clothing, bags, footwear, watches, jewelry, perfume, and cosmetics (Guercini & Runfola, 2015). In the retail sector, the luxury fashion market, specifically apparel and clothing have created a standpoint for itself where its consumers wear clothing or apparel items not necessarily out of function, but for fashion and prestige purposes. Previous research has defined luxury fashion businesses as distributor of clothing which are exclusively designed for them, perceived to be superior design and quality, priced significantly higher than normal market, and sold within prestigious retail setting (Moore&Doherty,2007). However, the scenario has changed drastically over the years. The exquisite luxury brands created spin-off retail brands that can appeal to the masses. Moreover, there is a market for luxury products at a lower price point that appeals to the middle class.

To attract a larger consumer group, luxury fashion brands started to have a competitive price tag while maintaining the quality of their products and the status of their brand. Therefore, luxury fashion brands such as Brooks Brothers, Saks, Coach, Kate Spade, and Michael Kors were able to gain the attraction and loyalty of consumers (Moore & Sheridan, 2012). The larger consumer group in the luxury market segment has also triggered the establishment of local luxury fashion businesses in small towns in the United States. Most of these local luxury fashion businesses are characterized as small (less than 500 employees) or micro (less than 5 employees) businesses (IRS, 2017). The establishment of luxury apparel businesses in small towns stimulates economic activity by encouraging entrepreneurship, creating employment, and investing in opportunities. However, the struggle was hard for these businesses as the number of consumers is very low in small towns compared to any big city (Arrigo, 2018).

According to Porter's (1990) diamond theory of national competitive advantage, industry/business tries to develop its competitiveness to achieve a competitive advantage over the competitors in the national and international market. Porter (1990) described four determinants to gain and sustain competitive advantage, namely: factor conditions, demand conditions, related and supporting industries, firm strategy structure, and rivalry. These four determinants along with the government support and chance factor affect the competitive performance of any industry/business (Swazan & Das, 2022a). The diamond theory was used as the study's conceptual framework.

Previous studies (Nobbs, Moore & Sheridan, 2012; Guercini & Milanesi, 2017) analyzed luxury apparel business from a macro perspective, including local, retail chain, and regional businesses. However, there are no such studies that explored the competitive advantages of the local luxury apparel businesses, although they are playing a vital role in community development. To address the research gap, the current study aims to understand how Porter's (1990) determinants help to build competitive advantages in the local luxury fashion businesses, more specifically in clothing and apparel.

A case study methodology with in-depth semi-structured interviews was used as an appropriate research design for this study (Yang, Han & Lee, 2017; Swazan & Das, 2022b). This study's geographical context is a small town in the rural state of West Virginia with a population of 30,347 (U.S. Census Bureau, 2020) and an annual median household income of \$42,966 (DataUSA, 2019). ReferenceUSA database was used to acquire a list of fashion businesses (type: private/local) operating in West Virginia and all the fashion businesses (websites) were analyzed according to the previous literature to categorize as luxury businesses (ReferenceUSA, 2022). A sample of 5 businesses was purposively selected for interview. These businesses were chosen in a way so that they can represent all types of apparel business categories such as men's wear, women's wear, kid's wear, leather products, and outdoor and sports apparel items. Another criterion for selection was at least ten years of business operation experience so that the owner/manager knows the business as well as the market situation. The interviews were conducted from March 2021 to May 2021, and the duration of the interview was 40 to 60 minutes. The interviews were recorded, transcribed, and analyzed for recurring themes.

Factor conditions to build competitive advantages: The participants described factor conditions as (a) skilled employees (5 out of 5), described as "We're open seven days a week, and so I need skilled staff to be able to talk to people"; (b) family support (4 out of 5) described as "For the first three years, I had my mom, my husband's mom, my sisters beside me and that stabilize this business"; (c) educational background (3 out of 5) described as "Because of my design background, I can work with designers". **Demand conditions to build competitive advantages:** The participants described demand conditions as (a) demand composition (4 out of 5) described as "I have customers who brought their daughters and granddaughters in, so I have three generations of customers"; (b) exclusivity (3 out of 5) described as "I'm different and I don't have a thousand of one item to sell, I have one special item".

Supporting industries that help build competitive advantages: (a) highly selective vendors (4 out of 5) described as "The company that I work with are in the finer quality category"; (b) good relationship with suppliers (4 out of 5) described as "we have wonderful relationships with the companies we work, I sent a Christmas card we talked on the phone they called me just to say hi which is great". **Firm structure, strategy, and rivalry that help build competitive advantages:** (a) consumer-friendly environment (5 out of 5) described as "They feel like they're coming into our home, this is a safe place, they can talk they can laugh they can cry"; (b) diverse marketing channels

(4 out of 5) described as "We do Facebook and Instagram and we do a little bit of radio and TV advertising also"; (c) competition in the local market (3 out of 5) described as "When you have a success than other stores they'll look and think, oh she makes money at that and I should have it".

Government policies that promote competitive advantages: (a) Payment Protection Program loan (4 out of 5) described as "They(government) made sure that a lot of the small businesses got it during the pandemic, so I did get that PPP and that helped us". **Chance factor that affects competitive advantages:** (a) covid-19 pandemic (5 out of 5) described as "due to this pandemic, the store traffic has probably dropped by at least two-thirds and of course, if you don't have people coming in the door you can't sell them".

The study result has major implications and contributions. The study provides new evidence of the local luxury apparel business's competitive advantage. Skilled employees, family support, local market demand, and customer satisfaction were found to be the major factors in achieving a competitive advantage. However, these businesses were greatly affected by the covid-19 pandemic as they had a loyal and small consumer base. The study findings may help individual local luxury apparel business owners/managers to identify the necessary steps that other business owners have taken to achieve and sustain a competitive advantage. Future research is recommended to find the relationship between owner characteristics and the failure/success of these businesses.

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