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The Chinese market as an opportunity to innovate distribution strategies?

Evidences from Italian firms

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Innovate
distribution
strategies

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Abstract

Purpose – The purpose of this paper is to analyze the distribution strategies implemented by foreign firms in emerging markets, and to investigate whether they represent an opportunity for firms to innovate their practice. China is selected as the setting of the investigation as distribution is a critical determinant of business success for international firms operating there.

Design/methodology/approach – A multiple-case study approach is adopted by investigating the distribution strategies of four Italian firms in China. The collected data consist of interviews with firm managers and their distributors. To ensure triangulation and cross-verify the findings from the primary data, secondary data consisting of sector reports and newspaper articles were analyzed.

Findings – Results discuss how foreign firms develop their distribution system in China and suggest that emerging markets can enable reverse innovation in their distribution strategies.

Research limitations/implications – The research suffers from the limitations of the generalizability of the findings as the study was carried out on a restricted number of firms, and it considered their strategies in one single market.

Practical implications – Managerial implications are discussed on the extent to which the Chinese distribution system still represents a key issue for foreign firms, but it also provides with opportunity for innovation.

Originality/value – While previous research on innovation in emerging markets has mainly focused on product innovation, this study suggests some areas for distribution innovation.

Keywords China, Innovation, Distribution, Internationalization, Emerging markets, Reverse innovation

Paper type Research paper

1. Introduction

As the world's second's largest economy, China represents an increasing market for foreign firms and their products owing to the rise of its middle class and a strong consumer spending (Euromonitor International, 2018a; Orr, 2016). In this context, imported goods can leverage on a higher image compared to local products owing to quality, modernity and safety attributes associated with them (Ortega *et al.*, 2011; Zhou and Hui, 2003). On the other

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