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Franchising as an Internationalisation Strategy in The Fashion Industry
The Case of Liu Jo

Supervisor:

Prof. Francesca Pancotto

Co-Supervisor:

Dott. Enrico Angelo Raffaele D'ecclesiis

Thesis of:

Mantoan Carlotta
205844

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Abstract

This thesis examines franchising as an internationalisation strategy in the fashion industry through a single-case study of Liu Jo, an Italian house positioned in the premium segment that has expanded into international markets in large part through independent partners.

The study addresses two questions: how the firm selects among direct operation, franchising and wholesale distribution in a given international market (RQ1), and which mechanisms it deploys to mitigate the principal-agent problem between franchisor and franchisee and to protect brand coherence across a network it does not own (RQ2). The study relies on interviews with two senior insiders on the franchisor's side: the Retail Manager responsible for the international franchising channel and the company's Export Sales Director. The interviews were conducted and coded in Italian and analysed by deductive-inductive thematic analysis within an interpretivist and abductive design.

For RQ1 the study finds a decision structure operating at two levels: markets are selected centrally as investments, by scale, product fit, and endorsement value; within a market the choice between direct operation and franchising rests on an economic factor – whether the value chain of a given site can sustain the margin of an intermediary. That criterion governs the choice except where institutional barriers foreclose direct entry, and the mode follows from the condition of access. Additionally, the repertoire is broader than the three modes the study set out to examine, including an affiliation mode based on consignment.

For RQ2 the study finds that the firm governs its network through four families of mechanisms: ex-ante codification of the brand and the partner, monitoring and persuasion exercised without command, incentive alignment, and a negotiated tolerance bounded by the brand's identity, with a deliberate margin for local adaptation reflected in the assortment policy as a roughly 70/30 split between a standardised core and local variation.

The thesis provides an account of calibrated control positioned against agency theory, entry-mode economics, and the standardisation-adaptation debate. It also argues that a fashion firm can carry a coherent brand into distant markets without owning its stores, if it develops governance mechanisms that can substitute for ownership.

Riassunto

La presente tesi esamina il franchising come strategia di internazionalizzazione nel settore della moda attraverso uno studio di caso singolo su Liu Jo, azienda italiana del segmento premium, che si è espansa sui mercati internazionali in larga parte tramite partner indipendenti.

Le domande di ricerca sono due: come l'impresa scelga tra gestione diretta, franchising e distribuzione wholesale in un dato mercato estero (RQ1), e quali meccanismi utilizzi per mitigare il problema principale-agente tra franchisor e franchisee e per tutelare la coerenza del brand in una rete che non possiede (RQ2). La base empirica è costituita da interviste a due figure senior interne al franchisor: la Retail Manager responsabile del canale franchising per l'estero e l'Export Sales Director dell'azienda. Le interviste, condotte e codificate in italiano, sono state sottoposte ad analisi tematica deduttivo-induttiva nell'ambito di un disegno di ricerca interpretativista e abduttivo.

In risposta alla RQ1, lo studio individua una struttura decisionale articolata su due livelli. I mercati vengono selezionati centralmente come investimenti, in base a dimensione, affinità con il prodotto e valore di endorsement. All'interno del singolo mercato, la scelta tra gestione diretta e franchising dipende da un fattore economico, ossia dalla capacità della catena del valore di un determinato punto vendita di sostenere il margine di un intermediario. Questo criterio regola la scelta salvo quando barriere istituzionali precludono l'entrata diretta; in quel caso la modalità di entrata discende dalle condizioni di accesso. Il repertorio delle modalità di entrata risulta inoltre più ampio delle tre inizialmente oggetto di indagine e comprende anche una modalità di affiliazione in conto vendita.

In risposta alla RQ2, lo studio rileva che l'impresa governa la propria rete mediante quattro famiglie di meccanismi: la codifica ex ante del brand e del partner; il monitoraggio e la persuasione, esercitati senza potere di comando; l'allineamento degli incentivi; una tolleranza negoziata entro i confini dell'identità del brand. Quest'ultima lascia deliberatamente un margine all'adattamento locale, che nella politica di assortimento si traduce in una ripartizione di circa 70/30 tra un nucleo standardizzato e la variazione locale.

La tesi propone una lettura del controllo calibrato (calibrated control) e la colloca rispetto alla teoria dell'agenzia, all'economia delle modalità di entrata e al dibattito tra standardizzazione e adattamento. Sostiene inoltre che un'impresa di moda possa portare un brand coerente in mercati distanti senza possedere i propri negozi, purché sviluppi meccanismi di governance in grado di sostituirsi alla proprietà.

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1 Introduction

A brand is among the least tangible and most fragile assets a fashion firm owns, yet international expansion often requires the firm to entrust it to partners it does not directly control. When a brand expands through franchising rather than its own stores, independent partners manage the point of contact with customers: the store, the assortment, and how products are displayed and sold. They also bear the commercial risk and therefore have their own commercial interests. In fashion, that delegation is exposed. Collections have a short selling period, so partners pre-order products and bear the risk of selling them; store windows and displays communicate the brand rather than simply present the product (Kerfoot et al., 2003); and the balance between a standardised core and local variation has to be managed again with each collection rather than fixed once in a format manual. In this sense, fashion franchising differs from formats such as fast food or convenience retail. The franchisor is not only protecting a standardised operating system, but also a brand identity that must be reproduced each season and adapted to markets with different tastes and institutions.

Franchising is not a marginal form of fashion retailing but one of the industry's main routes to international markets. Retail internationalisation involves transferring not only products but also a brand and a retail format, and this process has often led firms to change their entry mode or withdraw from markets (Burt et al., 2002; Dawson, 1994). Delegation reduces the need for capital and local market knowledge, but it also creates a key governance challenge: how can the firm maintain brand coherence without owning the store or directly managing the partner? In this situation, the firm must rely more on influence and relationship, while formal authority is more limited (Quinn & Doherty, 2000). This gives rise to two related decisions in each market: whether to operate a location directly, work with a partner, or sell through wholesale; and, when working with a partner, how much local adaptation to allow and how to control its limits. This thesis examines how one Italian premium fashion house, Liu Jo, addresses these decisions, drawing on interviews with two senior executives, one who runs the international franchising channel, and one who decides which markets the firm enters.

1.1 Case justification

Liu Jo was founded in 1995 in the Carpi knitwear district, near Modena, by the brothers Marco and Vannis Marchi. Starting with womenswear, particularly denim, knitwear and accessories, the company expanded over two decades into a total-look proposition, professionalising its

governance and diversifying into adjacent brands and categories. By 2025, it had reached revenues of around €497 million, with Italy still accounting for approximately 45%. Chapter 4 provides its details and sources. What matters here is that Liu Jo differs from the type of firm that has traditionally dominated research on fashion internationalisation.

Three features of the Liu Jo case make it particularly relevant to the research questions. First, Liu Jo is a premium brand. Much of the research on how fashion brands enter foreign markets and protect their identity focuses on luxury firms. However, insights from highly established flagship brands may not easily apply to smaller firms with fewer resources (Hutchinson et al., 2007). This is pertinent for a brand whose customers may be more sensitive to price and local tastes and whose partners, as this case shows, may have both the position and the incentive to request local adaptation. Second, Liu Jo is an Italian brand with strong roots in the Carpi district. Its development is linked to the local knitwear cluster and to the production culture of the area (Becattini, 1990; Guercini, 2004). Moreover, this local origin creates a specific challenge when the brand expands abroad: the firm must preserve elements of its identity while operating in foreign markets. Third, and most importantly, Liu Jo has entered culturally and institutionally distant markets, including the Gulf, North Africa and Latin America, mainly through franchise partners, while company-operated stores represent a smaller part of its international network. This makes the case useful for examining how a fashion brand is governed through a network that the company does not own.

The case is also justified by the perspective from which it is studied. Research on fashion franchising is limited, and existing studies often examine the system from outside, focusing on consumers or publicly available information. This study instead examines franchising from the franchisor's perspective and at two organisational levels. The Retail Manager responsible for international franchising deals with the day-to-day mechanisms examined in this study. The Export Sales Director operates at a more strategic level, where markets are assessed and contractual forms are selected. Together, the two interviews provide a view regarding how governance decisions are made and how they are implemented in practice.

The author's access to the company should be made clear. The author interned in Liu Jo's international franchising office in early 2026, which facilitated access to the organisation. The internship is not treated as a source of evidence: the analysis does not draw on observations made during the internship. Chapter 3 explains how this proximity was considered in the research process.

Liu Jo is treated as an instrumental case in Stake's (1995) sense. The characteristics described above make the case relevant beyond the company itself: district roots, a total-look premium proposition, founder ownership alongside professionalised management, and a mixed channel structure are also found among other Italian firms. These features make the case informative for understanding similar firms, rather than treating Liu Jo as an isolated example.

1.2 Research questions

The study is organised around two research questions, each addressing one face of the governance problem set out above.

RQ1. How does Liu Jo choose between directly operated stores, franchising, and wholesale in a given international market, and what drives that choice?

RQ2. What mechanisms does Liu Jo use to mitigate the franchisor-franchisee principal-agent problem, and how effective are they in maintaining brand coherence?

RQ1 concerns the composition of the channel portfolio. Liu Jo operates all three modes at the same time – and, as the findings will show, a fourth, consignment-based form that the firm calls affiliation. These modes are used across different markets and sometimes within the same market. The question is therefore not simply whether to internalise, but how the mix is built and why a particular mode is chosen in each case. This brings together two main perspectives in the internationalisation literature: the experiential and commitment-based logic of the process tradition (Johanson & Vahlne, 1977), and the focus on costs and control found in the economic tradition (Anderson & Gatignon, 1986). Neither perspective fully captures a setting in which the choice of mode is at once an economic decision and a brand-communication decision.

RQ2 follows from RQ1: once a location has been delegated, how does the firm maintain a coherent brand across outlets that it does not directly manage? Agency theory provides a well-established account of the main mechanisms available, including partner selection, incentive alignment, monitoring, and relational governance (Combs et al., 2004; Doherty, 2009; Lafontaine, 1992). However, less attention has been given to what these mechanisms are intended to protect. Agency theory typically focuses on the costs and the effectiveness of control, while in fashion the object of control is also important: the firm must protect a brand identity that changes with each collection. RQ2 therefore examines not only which mechanisms Liu Jo employs, but also how they are combined, where their limits lie, and how the firm responds when those limits are reached.

The two questions are closely connected. The first asks why the firm delegates in some locations rather than others; the second asks how it governs those delegated activities. Both are linked to the importance of the brand in a given location. This affects both whether the firm delegates a location and, if it does, how closely it manages the partner. The central analytical claim developed in Chapter 6 is that Liu Jo's governance mechanisms work as a coordinated system. The thesis refers to this system as calibrated control: the firm allows some local adaptation while setting limits to protect brand coherence, and its different control mechanisms are organised around those limits.

The claim relates to three literatures: agency theory, entry-mode economics, and the standardisation-adaptation debate. Chapter 6 addresses them one at a time. The study makes two contributions. The first is conceptual: it develops the concept of calibrated control, the coordination of familiar control instruments around a tolerance for deviation that is defined in advance. The second concerns the structure of the decision: a two-level choice in which markets are prioritised before a mode is assigned, and a repertoire of four modes, including a governance mode that emerged during the research. A practical implication follows from both, and it is set out in Chapter 7.

The thesis moves from the literature to the case and then to the framework developed from it. Chapter 2 reviews three areas of research: internationalisation, franchising theory and the agency problem, and fashion internationalisation within the Italian system. Chapter 3 sets out the methodology, including the case design, data analysis, and reflexivity. Chapter 4 describes the firm – its history, its position in the Carpi textile district, its international expansion, its distribution model, and its standing among comparable houses. Chapter 5 presents the findings, answering RQ1 in Section 5.1 and RQ2 in Section 5.2, in the informants' own words. Chapter 6 discusses them in relation to the three literatures and develops the calibrated-control framework. Finally, Chapter 7 states what the study establishes, its limitations and where future research should expand.

2 Literature review

This chapter provides the framework for this thesis's governance-mode questions. The two research questions draw on two distinct literatures. The first – how a firm chooses between operating directly, franchising and selling wholesale in a specific foreign market – belongs to internationalisation and entry-mode theory (2.1). The second question – how the firm guarantees brand coherence across all stores – belongs to the economics of franchising and to agency theory (2.2). Moreover, because the empirical setting is a mid-sized Italian fashion company, both literatures are then read through the lens of retail internationalisation and the Italian fashion system (2.3). Finally, the chapter is organised around a set of arguments: each strand is presented via its tension, confronted with its counter position, and mined for what it can and cannot say about the case. Section 2.4 draws the threads together into the gap the thesis addresses.

2.1 Internationalisation frameworks

The question of how a firm expands abroad has been answered by two traditions that begin from almost opposite premises. The first tradition treats internationalisation as a behavioural process unfolding over time, while the second treats it as an economising decision taken at a point in time. It is important to note that neither of them was authored with a fashion franchisor in focus.

2.1.1 The behavioural tradition

The behavioural tradition originates in the Uppsala school. Starting from a small set of Swedish cases, Johanson and Wiedersheim-Paul (1975) observed that firms did not leap into foreign markets but gradually entered them. Johanson and Vahlne (1977) converted this idea into a process model stating that internationalisation is determined by the gradual development of experiential knowledge about foreign markets and that market commitment increases as that knowledge accumulates. Market knowledge is mostly tacit and can thus only be acquired through operating in a market, hence firms reduce the uncertainty of foreign expansion by accumulating experience. Furthermore, psychic distance – the sum of differences in language, culture, and business practice that impede the flow of information between a firm and a market – determines both the sequence in which markets are entered and the pace at which commitment deepens. Therefore, the model predicts that entry mode evolves through

experience rather than being fixed at the outset. Indeed, a firm escalates its commitment as it learns.

The psychic distance analysis by the model is the most practical contribution of the framework and the one that raises the most arguments. It predicts that firms enter psychically closer markets first and extend towards more distant ones only as experience and confidence accumulate. For instance, for a Southern European firm like Liu Jo, it predicts its expansion starting from proximate European markets towards the Gulf, the Middle East and, eventually, South America. However, according to O'Grady and Lane (1996), the notion of psychic distance entails a paradox: firms often perform worse in psychically close markets because assumed familiarity displaces adaptation. The Uppsala model's reformulation of 2009 is consistent with O'Grady and Lane's critique. It moves the principal barrier of the foreign entrant from liability of foreignness (the firm is culturally distant), to liability of outsidership (the firm is outside the relevant network of relationships) (Johanson & Vahlne, 2009). For a franchisor the shift is consequential: the key to a successful business in a distant market may not be the cultural difference but the ability of the firm to connect with the local network of partners, landlords, and buyers. At its fortieth anniversary the authors generalised the model further. They explained that a multinational company expands in terms of capability development and relationship building as an ever-evolving process instead of just a finite chain of establishment steps (Vahlne & Johanson, 2017).

The most obvious objection to the incremental model is the born-global and international-new-ventures literatures. Oviatt and McDougall (1994) argue that firms that are international from their outset depart from the traditional expected stage-by-stage path of the multinational. Indeed, international new ventures are developed through the integration of international business practices, entrepreneurship and strategic management, rather than through accumulated market knowledge. By the same token, Knight and Cavusgil (2004, p. 124) identify "innovative culture, as well as knowledge and capabilities" as the critical factors behind early internationalisation, and test that claim across case studies and a survey. The born-global critique, rather than describing the firm at the centre of this study, contests any claim that staged incrementalism is a law of internationalisation. If incrementalism is not the mandatory route, then the issue of what guides the firm's choice among the various entry and distribution modes in specific markets arises – a question the behavioural tradition does not answer, and one tackled by the economic perspective that follows and by agency theory in Section 2.2.

2.1.2 The economic tradition

Against the behavioural picture stands the economic tradition, which interprets the same expansion decision as a comparison of governance costs. Anderson and Gatignon (1986) reframed the choice of entry mode as a transaction cost problem. Modes can be organised along a continuum, from low control to high control. The aim is not to maximise control, since greater control requires greater resource commitment and exposes the firm to greater risk. Therefore, the efficient level of control, and hence the efficient mode, is set by three hazards: asset specificity, external uncertainty and the risk of opportunism. Dunning's eclectic paradigm (OLI) supplied the most comprehensive synthesis. According to his view, the extent, form and location of a firm's foreign activity are jointly determined by three conditions: ownership advantages (the firm's assets), locational advantages (what makes a country worth operating in), and internalising advantages (whether it pays to exploit the ownership advantages inside the firm rather than licensing or franchising them out) (Dunning, 1988). The key difference between the two traditions lies in how entry mode is conceptualised: the Uppsala model presents it as an outcome of gradual learning, whereas the eclectic and transaction cost approaches treat it as a governance choice based on efficiency.

The economic tradition has also moved towards a more realistic view of how firms operate. Brouthers (2002) showed that entry-mode choice is better explained when transaction cost factors are set alongside the institutional and cultural context of the target market. Furthermore, firms that select their entry mode in line with these elements perform better on both financial and non-financial measures. This perspective extends purely efficiency-based explanations, by recognising that the optimal entry mode depends on institutions and culture, as well as on asset specificity. Nonetheless, such a perspective continues to assume that firms select a single governance mode for each foreign market, rather than managing a portfolio of coexisting modes – a limitation discussed further in Section 2.2.

Transaction cost theory interprets the choice between a DOS, a franchised store and wholesale distribution as a classic make-or-buy decision. Operating a store directly provides greater control over retail activities but requires higher investments and risks. Delegating the retail function to a franchisee or to independent retailers reduces both these costs and direct control at once (Anderson & Gatignon, 1986). However, in fashion retailing, this compromise is more complex than in other fields, because the firm's most valuable asset is the brand itself, instead of a factory or a technology. The brand's value depends heavily on the consistency of the customer experience at the point of sale, making the store a particularly sensitive activity.

According to Klein et al. (1978), the retail site represents an asset, in the sense that it is a location whose accumulated goodwill has economic value (quasi-rent), making ownership an important factor in deciding how the transaction should be governed. In fashion retailing, the quasi-rent is recognised by its name and price: the key money paid to secure an established retail location. Because this asset retains its value beyond the life of the contract, its allocation becomes an important governance issue, as the findings will show. On the same note, Dunning (1988) argues that a firm should internalise its activities when externalisation risks jeopardising the firm's competitive advantage. Yet, fashion companies frequently expand through franchising, outsourcing precisely the activity – the store – that could undermine the brand – a paradox taken up in Section 2.2.

Another contribution qualifies the whole discussion by insisting that retailers are not generic firms. The internationalisation of retailing follows a logic of its own: retailers export a format rather than a product, and they must reconstruct their offer in each market (Dawson, 1994). Additionally, Burt and colleagues' analysis of Marks and Spencer shows that retail internationalisation is reversible, as established retailers may misjudge foreign markets and, hence, withdraw (Burt et al., 2002). For a firm whose distribution model covers direct operation, franchising and wholesale, this retail-specific literature is a reminder that the mode is not merely a decision about control, but also about who reconstructs the offer at the point of sale, and how much of the brand survives that reconstruction.

Three further strands refine the economic tradition in ways that are pertinent to this study. The first is institutional: Meyer et al. (2009) argue that when market-supporting institutions are weak or foreign entry is restricted, firms are more likely to rely on modes based on partners and lower-equity, because these provide local legitimacy and market access. This is relevant especially for retail firms entering countries that impose ownership restrictions or other types of barriers to foreign investors. The second refinement is temporal. Kogut (1991) states that a joint venture should not always be considered as a terminal choice, but rather a temporary arrangement that allows firms to gain knowledge and later increase ownership if the conditions are favourable. By analogy, franchise and master-franchise agreements can also be transitory when they include buy-back provisions. The final refinement concerns market conditions rather than entry mode itself. According to Evans and Bridson (2005), greater psychic distance makes it more difficult for retailers to adapt their product offering to local consumer preferences. Consequently, firms may prefer to rely on a local partner rather than operate a wholly owned store.

Two of these strands have since been developed. First, the institutional argument has been tested across many studies. A recent meta-analysis finds that greater institutional distance is generally associated with lower equity entry modes, even though the relationship depends on how institutional distance is measured, and on the context examined (Zhang et al., 2023). This suggests that entry-mode decisions are shaped by the specific institutional conditions of each host market rather than by a universal pattern. Second, the options perspective has been extended from the single venture to the firm's whole international portfolio. Trigeorgis and Miller (2025) state that firms can use low-commitment modes as real options, allowing them to learn about a market before deciding whether greater ownership is justified. Supporting this view, Piao et al. (2025) find that firms increase their equity in partnered ventures when market conditions are beneficial, and that this depends more on governance arrangements and prior experience than on the initial ownership stake. These studies are drawn from the equity-mode literature – joint ventures, graduated ownership stakes – in which franchising is typically excluded. Applying their logic to franchise relationships is therefore an analytical extension made by this study, rather than a direct empirical finding. A second boundary is that this literature takes the choice of market as given: which markets a firm enters is a separate decision that entry-mode research largely leaves unexamined (Francioni & Martín Martín, 2024).

2.1.3 Comparing the two traditions

Comparing the two traditions reveals the conditions under which each is most persuasive. On the one hand, the behavioural view is most convincing when firms gain knowledge through experience and enter markets gradually. However, it is less convincing for firms that operate several modes at once and continuously adjust them (Johanson & Vahlne, 2009). On the other hand, the economic view is strongest when transaction costs and risks can be clearly estimated, but it pays little attention to how firms improve their decisions over time – a gap that recent work begins to fill. In an experiment on international growth-mode choice, Ego and Pidun (2025) show that market characteristics and prior experience together shape the selection, echoing both the Uppsala emphasis on experience and the economic emphasis on market conditions. The two traditions are, therefore, better read not as rivals but as complementary lenses on one decision, as the firm both calculates and learns.

Taken together, these frameworks provide a theoretical basis for the commitment question – how far and how fast firms expand abroad – as well as two complementary explanations for entry mode choice, experiential learning and economic efficiency. Nonetheless, they do not

offer an interpretation for the specific choice this thesis examines: the simultaneous allocation of a single brand across three different channels. The behavioural tradition emphasises relationships but pays limited attention to how a firm coordinates several market positions at once. The economic tradition, by contrast, focuses on efficiency rather than on portfolios. Finally, the retail literature concentrates on format and brand but not on governance theory of the hybrid network. Addressing this gap requires turning from why firms internationalise to why, and how, they franchise.

2.2 Franchising theory and the agency problem

Whereas entry-mode theory inquires how much of its own resources a firm should allocate to a particular market, franchising theory propounds a sharper question: what is the logic that leads a firm to put its brand into the hands of independent owner-operators deliberately, and how does it keep that brand coherent across a network it does not control? The literature offers two main explanations for why firms franchise – resource scarcity and agency theory – and it is the ongoing contrast between them that raises the governance problem examined in the second research question.

2.2.1 Resource scarcity

The resource scarcity account holds that firms franchise because their expansion outruns their means. A young or capital-limited chain that wants to expand fast lacks financial and, most importantly, local management resources for the opening and running of its premises, while franchising allows it to recruit both resources from franchisees in exchange for the right to operate under the brand. The classic and most testable statement of this logic is Oxenfeldt and Kelly's (1968-1969) article, whose title asks whether successful franchise systems ultimately become wholly owned chains. Their answer is that they will: once the founding scarcity is removed, the rationale for delegation weakens and the system repurchases its outlets. The authors themselves advance the hypothesis tentatively, noting that they are not fully convinced of its validity. The prediction, later labelled ownership redirection in the franchising literature, nonetheless became an important object of empirical testing, and Section 2.2.3 reports its outcome.

Resource scarcity should not be understood only in financial terms. A company moving abroad not only has difficulties in financing outlets but also lacks the knowledge required to operate them – knowledge of local property markets, hiring, regulation, and consumer behaviour – and the franchisee is the party who provides that knowledge and gives access to

capabilities that would be costly and slow to develop internally. In international networks, some forms of resource scarcity may persist even after the firm has acquired sufficient financial resources, particularly where local knowledge remains difficult to build from the centre. This may explain why mature franchisors retain distant franchised outlets even when they have the financial means to acquire them.

2.2.2 Agency theory

Agency theory offers a different explanation: franchising is not a growth expedient to be outgrown, but an efficient governance response to the difficulty of monitoring geographically dispersed outlets. It builds on the idea that agency costs emerge when ownership and control are separated, particularly due to information asymmetry, risk-sharing, and the choice between monitoring behaviour or rewarding outcomes (Jensen & Meckling, 1976; Eisenhardt, 1989a). An outlet manager, whose effort is difficult and costly for headquarters to observe, has little to no incentives to maximise local performance. In contrast, a franchisee who is the residual claimant on their own outlet's profit is self-motivated to work, and cheaper to govern, precisely where outlets are geographically dispersed and behaviour is difficult to monitor. Norton (1988) explains the choice between company-owned and franchised outlets through this monitoring-cost logic, while Lafontaine (1992) shows how fees and royalties can help align incentives and reduce moral hazard on both sides of the relationship.

Agency theory also helps explain how store location affects ownership decisions. Brickley and Dark's (1987) classic evidence shows that outlets serving transient customers tend to remain company-owned because the opportunities for the operator to free-ride on the brand's reputation are higher. In contrast, outlets serving repeat local customers are more suitable for franchising, since the franchisee's financial stake reduce the need for surveillance.

The literature identifies several levers through which franchisors govern their networks, including incentives, partner selection, ongoing support and brand strength. The first lever is incentive design. Blair and Lafontaine (2005) point out that royalties are not incidental or uniform: they represent the franchisor's claim on outlet revenue, and its rate – including the extreme case of zero – determines how the franchisor chooses to distribute the relationship's returns and incentives. A second mechanism is partner selection, which can reduce the need for costly monitoring after the outlet has opened. Surveying over a thousand franchisors, Clarkin and Swavely (2006) found that the criterion rated most important was not financial or professional qualification but the candidate's personal characteristics; Calderon-Monge et al.

(2021) reach the same conclusion from the other direction, proposing a selection model that ranks the applicant's attitude above all other criteria. However, selection is not sufficient on its own. The third mechanism is ongoing support and the quality of the relationship. Luu et al. (2025) show that outlet performance is achieved jointly by the franchisor's resources, the franchisee's capabilities, and the quality of the relationship after signature. Prior selection and subsequent governance, hence, are complements rather than substitutes. The fourth instrument is the brand itself. Kayed et al. (2025) find that franchise systems with stronger brand equity tend to own a smaller proportion of their outlets, suggesting that brand strength may reduce the need for direct ownership.

Applied to a brand-led business, the agency problem becomes particularly significant. The danger lies not only in a franchisee's reduced effort at the outlet, but in that they will free ride on a shared asset: a partner who pays less for displays, staff, or assortment affects the whole network while capturing the savings privately. Therefore, the franchisor must monitor compliance with brand standards as much as outlet profitability (Norton, 1988). Eisenhardt's (1989a) distinction between outcome- and behaviour-based control is useful here. Allowing franchisees to retain outlet profits encourages effort, but it does not necessarily prevent locally profitable decisions that harm the brand. That is why fashion franchisors must combine incentives with direct monitoring of how the brand is presented. The greater the reputational risk borne by the network, the stronger the franchisor's incentive to monitor franchisees' behaviour directly. This proposition is particularly relevant to Liu Jo, whose value depends heavily on the consistent presentation of its brand.

When outlets are operated by independent partners, the franchisor must preserve brand coherence without the direct authority available in company-owned stores. This problem connects agency theory directly to the second research question. Quinn and Doherty (2000) distinguish coercive sources of power – monitoring and the threat of termination – from non-coercive ones, chiefly the support the franchisor provides. They propose that in international networks distance makes support costlier, so coercive sources become more feasible. A key form of control operates before the outlet opens, through the selection of partners. Doherty treats market-entry and partner-selection processes as the primary control mechanism in international franchising. In this way, selecting the right franchisee prevents later costly policing (Doherty, 2009). Eroglu's conceptual model situates these choices within the franchisor's prior decision of whether and how to internationalise at all, so that partner selection and entry mode are jointly determined variables (Eroglu, 1992). Altinay and Brookes (2012)

show that relationship development between franchisor and franchisee is shaped by role performance, asset specificity and cultural sensitivity, and that these factors operate differently in individual and master franchises – so the relationship on which control partly rests is built after the contract is signed, not fixed by it. As a result, control operates at different stages: through partner selection and contractual design before entry, incentives and monitoring during operation, and the continuing development of trust and commitment.

2.2.3 Plural and intermediate governance forms

The two theories explained above – resource scarcity and agency – have been compared extensively, but empirical research has not produced unequivocal support for either theory. Combs et al. (2004) advocate diversity in theoretical approaches instead of a definitive ruling; Dant et al. (2011) similarly argue that no single theory fully explains franchising. In particular, the ownership-redirection prediction is questionable: many mature systems neither converge on full ownership nor on pure franchising but they persist in a stable mix. Cliquet (2000), surveying 35 store chains across three French sectors, found no evidence of the predicted return to wholly owned systems in any of them. Shane (1996) offers an additional explanation that cuts across the debate, showing that the hybrid arrangement of franchising influences the growth and survival prospects of new franchise systems. This means that the decision to franchise does not only depend on capital-raising or monitoring control costs, but it is also tied to the firm's own viability. These findings indicate that firms may franchise for several reasons simultaneously including access to capital, stronger local incentives, faster expansion, and organisational survival. Hence, the analysis must consider not only why firms franchise, but also how they govern the resulting combination of company-owned and independently operated outlets.

Two further contractual forms extend the classic debate and bear on how the hybrid combination is governed. The first is the real option clause written into the franchise contract itself – an explicit call option on the outlet. Hajdini and Windsperger (2020) show that such a clause serves two economic functions at once. First, the clause may reduce transaction costs by limiting the franchisee's chances for opportunistic behaviour, because the franchisor can terminate the relationship and take back the outlet. Second, the clause functions as a real option by allowing the franchisor to respond to future opportunities under uncertain conditions. On German and Swiss data, the authors find a U-shaped relationship between environmental uncertainty and the use of these clauses. The clause is therefore not merely a safeguard against

failure or an ex-post adjustment to the contract; it also functions as a real option, preserving the possibility of returning the outlet to direct ownership. The second contractual form is master franchising, which is commonly used to expand into distant markets: the franchisor grants a local partner the right to develop and sub-franchise the brand across a whole territory. Jell-Ojobor et al. (2022) found that master franchising is preferred when both parties make significant transaction-specific investments and when institutional and behavioural uncertainty are high. Read together, these studies can be interpreted as showing how contractual arrangements allow firms to rely on local partners while preserving options for stronger future control.

The plural-form literature studies the coexistence of company-owned and franchised outlets, treating their combination as a deliberate organisational arrangement rather than a temporary phase. Bradach's study of restaurant chains argues that company-owned and franchised outlets are not the alternatives between which a chain must choose but are complementary elements that the chain manages together. Company-owned units are used for modelling and refining standards, so the company is able to ratchet performance expectations across the network; franchisees, by contrast, supply local initiative and entrepreneurial responsiveness which may be weaker in wholly owned chains (Bradach, 1997). Cliquet (2000) propose a model of store networks as evolving mixtures whose proportion of company and franchised units shifts over time instead of being fixed at one of the two extreme values. Extending this logic beyond the company-versus-franchise pairing raises a question the plural-form literature has not confronted: how does a firm distribute not two but several degrees of control across its markets, according to brand stakes, partner availability and institutional protection, and what governs that assignment? The Liu Jo case extends this question in two directions: it adds wholesale to the owned and franchised pairing, and it encounters an arrangement based on consignment that the plural-form literature does not consider, discussed in the paragraphs below.

Consignment and concession arrangements occupy an intermediate position between franchising and full ownership. Under this agreement, the brand owner retains title to the merchandise while the local partner supplies the premises and labour. The supply-chain literature studies consignment contracts with revenue sharing: the supplier remains the inventory's owner, bears the risk of unsold goods, and receives an agreed share of sales revenues. The supplier also sets the retail price and the delivery quantity, while the retailer determines the share of revenue retained, meaning that the two parties hold different rights over

the same goods (Wang et al., 2004). Revenue sharing can coordinate a newsvendor channel, but it becomes less effective when demand depends on costly retailer effort. This limitation arises because the retailer bears the full cost of that effort while receiving only a part of the additional revenue it generates (Cachon & Lariviere, 2005). Consignment with revenue sharing is restricted, as its efficiency depends the price elasticity of demand and on the share of channel costs borne by the retailer (Wang et al., 2004).

A related structure is the store-within-a-store, in which a brand occupies a defined space inside a host retailer's premises and retains autonomy over retail decisions such as pricing and in-store service, paying the host rent for the space rather than buying its merchandise (Jerath & Zhang, 2010). A separate literature – much of it set in online-marketplace settings – has modelled such arrangements (Hu et al., 2022), and the informational problems that a revenue split creates (Chernonog, 2021). However, it rarely intersects with the franchising literature, and does not address a fashion firm combining consignment, franchising, owned stores and wholesale in one international network – an intermediate mode this study encounters empirically.

2.2.4 Contemporary governance and the research gap

Alongside these intermediate forms, the most recent governance literature returns to the tension between control and autonomy and confirms that it remains unresolved. Pajić et al. (2025) analyse how franchisors decentralise decision rights over value-chain activities – supplier selection, procurement, new products, accounting systems and pricing – to local partners, as well as the mechanisms used to transfer tacit operational knowledge. Their analysis treats allocation as a governance choice rather than a fixed characteristic of franchising. Raha and Windsperger (2026) frame franchise networks as operating at the intersection of centralised control and franchisee autonomy. Studying the implementation of sustainability standards, they identify a problem of dual compliance: legal compliance with external laws and regulations, and internal compliance with the franchisor's own rules and standards of conduct. Both must be secured across a network the franchisor does not own. Lastly, Pyper and Doherty (2022) examine the issue from a brand perspective. They show that in order to govern the brand, firms employ concrete mechanisms in their relationship with independent channel partners, and that such mechanisms produce measurable performance consequences and contingent effects. This means that their effectiveness varies according to the context in which they are applied. Their

study is particularly relevant to this thesis, although it focuses on export channel partners rather than franchisees and does not address the specific vulnerabilities of fashion brands.

Both the classic and the contemporary governance literature suggest that no single governance mechanism is sufficient alone, but their effectiveness depends on how they are combined. Both incentives and monitoring presuppose that the franchisor has initially selected a partner willing to comply, and that the relationship is strong enough to withstand disagreement (Pajić et al., 2025; Raha & Windsperger, 2026). The literature has examined the franchisor's main control mechanisms in detail but says less about how firms combine them and adjust their relative importance across markets and partners. For brand-based firms, this is crucial because control aims not simply at ensuring compliance, but at protecting a consistent brand identity that can be damaged by any individual outlet. This gap provides the basis for the second research question, which requires an internal examination to be answered.

Taken as a whole, the franchising and agency literature explains why a firm such as Liu Jo would franchise and offers a well-developed set of mechanisms – incentive alignment, monitoring, partner selection, relationship-building, decision-right allocation. What it characteristically leaves implicit, however, is the object of that governance. Control is generally theorised as the minimisation of agency costs, the assurance of compliance, or the protection of performance. It is rarely theorised as the protection of a brand's coherence, and still more rarely reconstructed from the franchisor's own account of how much deviation it will tolerate and where it draws the line. To examine the issue more precisely, the discussion must move to retail internationalisation literature, where the brand is treated as the central asset.

2.3 Fashion internationalisation and the Italian fashion system

Literature has treated the internationalising firm only in a general way, though fashion retailing brings up two specific issues which directly relate to both research questions. Firstly, it is not a product that crosses the border but rather a brand and the retail experience, hence, the coherence of an intangible identity is the main problem, and not the efficient transfer of goods. Moore et al. (2000) place the brand at the centre of the process, treating it as the principal asset the designer fashion house carries into foreign markets. Read in that light, the international management of such a firm becomes, in large part, the management of the integrity of the brand's identity across markets. The second specificity is that fashion companies employ different distribution channels for different purposes, and the literature has interpreted them as instruments of brand communication and control rather than as mere financial arrangements.

This has been exemplified in the case of the flagship store. Moore and colleagues show that flagships are a market entry device for luxury fashion retailers where the perceived reason for the location is not the direct profit but the establishment and control of the brand's image in a market, which they consider to be an expensive option for presence (Moore et al., 2010). The same logic applies to the case examined here: a company-owned store in a prime location can carry a message about the brand whose value its own profit-and-loss account does not record, while the commercial weight of the network rests on franchising and wholesale. In fashion, then, the mode is a brand decision as much as an economic one – a conclusion that Section 2.1's general entry-mode literature cannot reach on its own. A brand is treated by Kapferer (2012) as a structured identity system – what the firm projects, as distinct from the image the consumer forms – whose coherence must be actively maintained across the points at which it is encountered. The risk of decay makes brand coherence across independently operated stores a problem the franchisor must actively solve.

The standardisation-adaptation debate, which Section 2.1 met only in passing, becomes acute in fashion because the offer is closely tied to culture and the temptation to standardise a strong brand collides with the reality of divergent markets. Levitt's globalisation thesis provided the standardising pole, arguing that converging tastes allow – even compel – firms to sell substantially the same products in the same way everywhere, with the scale economies that follow (Levitt, 1983). Ghemawat's account of semiglobalisation argues that the global integration is never completed and that location-specificity persists, so that neither pure standardisation nor pure localisation is warranted (Ghemawat, 2003). Theodosiou and Leonidou (2003) synthesise the empirical research with the claim that standardisation and adaptation decisions depend not on doctrine but on the firm's specific circumstances. Aaker and Joachimsthaler (1999) register the managerial allure of the wholly consistent global brand while judging it often unrealistic; they argue instead for "global brand leadership", the use of "organisational structures, processes, and cultures" (p. 138) to coordinate brand-building across countries rather than to impose a single global brand. These accounts converge on a single structural conclusion: the firm holds a standardised brand core constant across markets while calibrating adaptation at its edges, within operations it controls itself.

That the question remains unsettled is evident in its continued presence in recent scholarship: reviewing a debate now more than fifty years old, Brouthers et al. (2025) argue that it is not closed but reshaped by digitalisation. A key example is Bai et al. (2022) on luxury fashion retailers in China, which indicates that companies entered the market using

predominantly standardised strategies, but moved to local approaches during their post-entry operations, adapting product design to local conditions, and product assortment to regional differences while other functions like sourcing remained largely centralised. This finding is specific to the luxury tier and to the Chinese market, and to operations the firms themselves control, but it illustrates a pattern the contingency and semiglobalisation positions would predict: not a choice between standardisation and adaptation, but a standardised brand core with calibrated adaptation at the edges. Kerfoot and colleagues show how this coherence registers at the point of sale, showing that visual merchandising acts as a tool for building and sustaining an identifiable retail brand (Kerfoot et al., 2003) – a mechanism examined in concrete terms in Section 5.2.2, where central visual merchandising control is exercised remotely across the store network.

The third specificity is national. Liu Jo is an Italian firm, and the Italian fashion system has features that the Anglo-American internationalisation literature does not capture. Guercini's analysis of Italian textile-clothing companies documents a distinctive strategic behaviour and competitive trajectory through the 1990s that set the Italian industry apart from other high-labour-cost European countries, rooted in the sector's particular organisation (Guercini, 2004). That organisation is illuminated by the industrial-district tradition: Becattini describes the district as a localised division of labour that is neither dissolved into the open market nor concentrated within a single firm, in which specialised small firms compete individually while co-operating, because a shared system of values structures the local market (Becattini, 1990). This is the milieu from which much of Italian mid-market fashion, including knitwear, historically emerged. The firm this study examines is of a recognisable type from that milieu – the medium-sized, entrepreneur- or family-led house professionalising its management that Corbellini and Saviolo (2009) describe. For such firms, research on smaller specialist retailers finds that a strong brand identity is the most significant motive for international expansion (Hutchinson et al., 2007) – the same asset whose protection abroad this study examines.

These three strands – fashion, franchising, and internationalisation – meet at the point this study occupies, and it is there that the literature is thinnest. Salmon and Tordjman (1989) recognised early that franchising is one of the mechanisms for retail expansion, distinguishing global from multinational strategies. However, sustained work on how a fashion franchisor governs that mechanism has not followed, and what exists tends to study the network from the outside. An exception is Maček et al. (2019), who interview franchisors in the contemporary

and affordable luxury segment about the implementation of brand standards across emerging markets. They identify mechanisms such as brand manuals, training, reporting and store visits, but also find that their application is uneven, hence they request higher standardisation. Overall, this field of study remains underexplored. Even the consumer-side literature on the culturally distant markets into which such firms expand is nascent: Ramadan and Nsouli (2022) note that scholarship on how fashion labels should approach the Middle East remains at an early stage, notwithstanding the region's weight in the sector.

2.4 Research gap

Each of these literatures is strong within its own terms, but none reaches the phenomenon this study examines, and their limits are interconnected. Between the internationalisation literature, franchising and agency theory, and the work on fashion and retail internationalisation lies a space none of them occupies. That is the decision a mid-sized Italian fashion firm takes between company-operated stores, franchising, and wholesaling, and the question of how, having chosen to work largely through independent partners, it holds a single brand coherent across a network it does not own. The two research questions correspond to the two facets of that space.

The first aspect is dedicated to governance mode selection. The internationalisation literature presents two rival explanations for the choice: the Uppsala tradition's experiential, commitment escalating learning (Johanson & Vahlne, 1977) and the economic school's transaction cost (Anderson & Gatignon, 1986). But both focus on the firm's overall mode of entering a market rather than on how different modes can be combined within and across markets. The born-global critique establishes that firms do not have to follow a single staged sequence (Oviatt & McDougall, 1994), but it does not explain how a mixed portfolio is composed. The plural-form literature, however, is the closest, by expressing that company-owned and franchised outlets are complementary components that are deliberately managed together (Bradach, 1997) and that the resulting mix evolves rather than converging on a pure form (Cliquet, 2000). Nonetheless, it was developed mainly in domestic restaurants and service chains, it does not cover wholesale and consignment-based intermediate forms, and it does not tackle the question of how the composition of the mix is decided across markets that differ in institutions, culture, and brand stakes. What the existing literature fails to articulate is the decision rule – if there is one – by which a fashion firm assigns a mode or a blend of modes within a foreign market, given that in fashion the mode is simultaneously an economic choice

and a brand-communication choice, with directly operated stores potentially serving visibility rather than profit (Moore et al., 2010).

The second facet concerns the protection of brand coherence across the hybrid. Agency theory furnishes a powerful and well-tested account of the control levers available to a franchisor. These include incentive alignment through residual claims and contract design (Lafontaine, 1992), monitoring dispersed behaviour (Norton, 1988), partner selection as an ex-ante control mechanism (Doherty, 2009), relationship-building beyond the contract (Altinay & Brookes, 2012). The newest governance research conceptualises the control-autonomy tension as unresolved and actively theorised, either as decision rights allocation (Pajić et al., 2025) or as dual compliance management (Raha & Windsperger, 2026). However, this literature usually treats control as a general governance problem rather than asking what specific asset the firm is trying to protect. The fashion literature supplies what that account leaves out: it establishes that brand coherence is what is at stake, and that visual merchandising and flagship presence are the instruments of its protection (Kerfoot et al., 2003; Moore et al., 2000), while the evidence reviewed in Section 2.3 shows adaptation to be a matter of degree (Bai et al., 2022). Even the study that comes nearest to the thesis proposition – Pyper and Doherty's argument of brand-governance mechanisms with independent channel partners – is set among export partners rather than franchisees and does not reach the fashion brand's particular exposure (Pyper & Doherty, 2022). What remains unclear is how a fashion franchisor governs both its owned and independent network, and how far partner autonomy can extend before brand identity is put at risk.

The convergence at the close of the previous section is compounded by further specificities the literature treats only in isolation – the firm's size (Hutchinson et al., 2007), its premium position, and its district-rooted Italian provenance (Becattini, 1990; Guercini, 2004) – and it is the union of all these conditions, not any one, that defines the gap.

The gap can be stated more precisely by asking which governance mode each of the studies reviewed above actually examines. Viewed in this way, the literature is well developed in areas that have received sustained attention: franchising and agency theory on the franchised outlet, entry-mode economics on the owned one. Two areas, however, remain less developed. The first one is the consignment-based intermediate form. Consignment is well established in the channel-contracting literature, but it is usually treated as a general contracting issue rather than in relation to a specific industry. Neither the franchising-governance literature nor the fashion-internationalisation literature examines it in this context. As a result, none of the reviewed

works considers a fashion firm that sells through consignment alongside franchises, owned stores, and wholesale within the same international network. The second is market selection. It is relevant to all modes, but most entry-mode studies take the choice of market as given. Three of the searches carried out for this chapter are worth recording. No peer-reviewed study published since 2021 was found on either the concession or the shop-in-shop format, nor any on the design of advertising or brand-fund contributions and the problem of free-riding on system-wide brand promotion. The retailing literature reviewed here also did not provide a body of research on assortment localisation as a governance mechanism applied to independent partners, rather than treated as an internal merchandiser's decision. Those absences are important because they define what Chapter 6 can reasonably claim.

The gap is not just empirical but also conceptual: it refers to what the current theory can explain rather than to the firms the theory has studied. In agency and franchising theory, control is mainly regarded as a way of limiting divergence. Monitoring identifies departures from the expected behaviour, incentives discourage them, and screening prevents them in advance. The fashion literature, by contrast, shows that some degree of divergence may be necessary, since a brand that refuses all local adaptation may struggle to remain relevant in distant markets (Bai et al., 2022; Theodosiou & Leonidou, 2003). This creates a gap between a theory that seeks to eliminate deviation and an empirical reality in which some adaptation is necessary. What is missing is an account of control that allows for local adaptation while protecting brand coherence: one that defines how much adaptation is permitted, which elements of the offer can be adapted, and how its limits are held. Developing this perspective is therefore the theoretical contribution pursued by this study, which is discussed in relation to agency theory, entry-mode economics, and the standardisation-adaptation debate.

This thesis addresses that gap through an in-depth single-case study of Liu Jo, conducted from the perspective of the firm that designs and governs the network. In answer to the first research question, it reconstructs how the company chooses between directly operated, franchised, and wholesale channels in a given international market and the factors driving that choice. The study keeps the two decisions analytically distinct: how the firm prioritises markets for development, and how it allocates a mode to each location within them. The first is examined through the criteria the firm itself applies, as they emerge from the primary data; the second is the study's principal object. In answer to the second research question, the study identifies the means that the franchisor uses to mitigate the franchisor-franchisee principal-agent problem and to maintain brand coherence, as well as the conditions when these

mechanisms are tightened or relaxed. The study does not aim to further verify whether agency or resource scarcity better explains the decision to franchise but rather provides an inductively derived calibrated control account in a fashion franchise.

3 Methodology

This chapter sets out how the study was designed and conducted. It first motivates the choice of a qualitative and single-case study design. It then explains the approach adopted in selecting the informants and conducting the interviews. It also describes the process of analysing the data collected and producing the findings. At each stage, the choices are justified theoretically and documented in practice, making the research traceable and highlighting its limitations.

3.1 Research design and single-case rationale

The study adopts a qualitative, interpretive single-case design. The case – the international distribution of the Italian fashion house Liu Jo – was selected not because it is representative of fashion firms in general but because it is theoretically instructive: a premium house rooted in its textile district, which reaches its foreign markets through direct operation, franchising and wholesale at once. Considering that all three modes remain in use, the allocation decision is not settled once and can therefore be observed. Accordingly, case selection is purposive and theory-driven. The instrumental status established in Section 1.1 has a methodological counterpart: in Yin's (2017) terms, it is closer to a revelatory than a representative case, as it provides access to the franchisor's perspective, whose absence Section 2.4 identifies as the gap. Governance as it is practised is difficult to observe from outside the firm and is best recovered from those who exercise it. Since the research questions focus on *how* a firm chooses governance modes and *how* it maintains brand coherence, an in-depth qualitative approach is more suitable than a survey or large-sample comparison.

The study adopts an interpretivist approach because it treats informants' accounts as interpretations specific to the context. These accounts are used to develop theoretical insights rather than to test a predefined hypothesis. Thus, the reasoning is abductive: the analysis moves back and forth between the empirical data and the theoretical framework presented in Chapter 2. A single-case design is preferred because it allows a deeper understanding of governance mechanisms that are highly specific and embedded in everyday organisational practices (Siggelkow, 2007). This depth is prioritised over the broader but less detailed perspective that a multiple-case comparison could provide. The limitation is that a single case cannot identify the boundary conditions that comparison across cases might reveal.

The claims of the research are presented as analytically, not statistically, generalisable. Hence, in Yin's (2017) terms, the aim is to generalise to theory rather than to a wider population and the relationships identified by the analysis are presented as theoretical propositions that

can be tested in future research. While Eisenhardt (1989b) emphasises comparison across cases, this study deliberately prioritises depth within a single case. As Siggelkow (2007) argues, a single case does not persuade because it is representative of a wider population, instead, its value lies in the conceptual argument it supports and in the mechanisms that close observation makes visible. The contribution of this study should be understood in these terms and rests on the possibility of tracing every interpretation back to specific evidence from the interviews. Accordingly, statements such as 'the firm calibrates' or 'the mechanism aligns' refer to interpretations supported by the Liu Jo case and should not be read as claims about fashion franchising as a whole.

3.2 Informants and interview design

Data for this study were collected through two semi-structured interviews carried out inside Liu Jo's export organisation. The two informants sit at different levels of the firm's hierarchy. The first informant is the Retail Manager for the international franchising channel, whose scope covers the firm's monobrand stores across the Middle East, the Mediterranean and South America; her interview recorded on 30 June 2026 and lasting approximately 69 minutes, supplies the operational account of how the franchise relationship is governed day to day. The second is the company's Export Sales Director, interviewed on 24 July 2026 for approximately 28 minutes; her strategic view supplies what the first interview did not cover: the logic by which markets are selected and governance modes assigned, as explained below. Both can be considered expert interviews, as the informants were selected for their specialised knowledge of the firm's processes (Bogner et al., 2009). They also satisfy the criteria by which Welch et al. (2002) identify corporate elite interviewees in international business research – a middle or senior management position with functional responsibility in an area central to the firm, and considerable international exposure. These are not two separate qualifications. Littig (2009) treats the functional elite as a subset of experts, and the informants are approached as holders of professional knowledge about a field of action. Both interviews were conducted in Italian, the informants' and the interviewer's shared first language.

The initial interview followed a semi-structured guide of 21 questions aligned with the two research questions and the specific context of the case. It moved from market entry and expansion to brand-control mechanisms and adaptation. The full guide is included in Appendix B in both Italian and English. Because the guide was used flexibly rather than as a fixed script, the informant was free to expand on relevant topics. This produced rich evidence on control

mechanisms, but the questions on mode selection were not fully addressed. The second interview therefore focused more directly on this gap, starting with mode selection and then covering market strategy, contractual forms, partner selection, and contract economics, while keeping the questions non-leading.

One feature of the design shapes what the study can show: the two viewpoints are complementary rather than interchangeable. Operational mechanisms are mainly covered by the first informant, while market- and mode-selection findings rely mostly on the second. Where a finding is based on a single voice, this is made explicit in the analysis. The consequences of this design for the evidence of the study are set out in Section 3.7.

3.3 From recording to bilingual transcript

The chain of evidence running from the recorded interviews to the text used in analysis is set out below. The interviews were conducted in Italian and audio-recorded with the informants' consent; the recordings are the primary record. The audio was transcribed automatically using TurboScribe, a commercial speech-recognition service, providing machine transcripts in Italian. The transcripts were then reviewed and corrected by the author, who had conducted the interviews: recognition errors were amended – principally mishearing of company and brand names and of sector-specific terminology – on the basis of the author's knowledge of the exchange and of the surrounding context, with the recordings consulted directly wherever the transcribed text was doubtful or contextually implausible. The corrected Italian transcripts constitute the working record of the interviews, and the analysis was carried out on them: coding was performed in the original language, so that the interpretive work rests on the informants' own words rather than on a rendering of them.

A full English translation was produced with the assistance of an AI translation tool and checked by the author, a native speaker of Italian. Both versions are reproduced in Appendix A. Interview material is quoted in English in the chapters that follow, for the reader's convenience; the corresponding Italian original is in Appendix A.

As a check on the correspondence between the working transcripts and the recordings, the machine transcripts were aligned with the corrected text segment by segment, each paragraph being matched to its window in the audio and marked with the time at which it begins in the recording. The alignment records are retained in the audit trail and may be consulted by the examiners.

The corrections identified in this way were confined to the surface accuracy of the transcription and did not alter the substance of the informants' statements.

3.4 Data Analysis

The interview material was analysed through a deductive-inductive thematic analysis, following the general principles of thematic analysis developed by Braun and Clarke (2006). This approach was chosen because the study started from defined research questions and an established theoretical framework, while also allowing themes to emerge from the interview material itself.

The analysis process involved repeated readings of the interview transcripts to identify passages relevant to the two research questions. These passages were assigned initial codes describing the issue or mechanism discussed, such as *market attractiveness*, *location economics*, *local partner knowledge*, *visual monitoring*, *buying autonomy*, *partner profitability* and *local adaptation*. Related codes were then compared and grouped into broader themes.

The coding process combined deductive and inductive reasoning. Some areas of analysis were informed by the theoretical framework and by the research questions. In the case of RQ1, factors influencing the distribution mode choice were analysed in terms of economic considerations, control, local market knowledge and institutional constraints. For RQ2, the literature provided relevant concepts such as monitoring, incentive alignment, partner selection, standardisation and relational control. These concepts guided the analysis but were not used as a fixed coding framework. At the same time, several themes emerged directly from the interview material – the use of affiliation, contractual mechanisms, continuous negotiation – rather than being defined in advance.

For RQ1, the themes were organised around the sequence of the decision process described by the interviewees. The analysis first considered how international markets are prioritised and then examined how the distribution mode is selected at location level. Attention was given to the economic sustainability of direct operation and franchising, the different strategic and financial roles of the channels, the use of affiliation as an intermediate form, and the effect of institutional constraints on mode choice and subsequent changes in governance. The interviews provided a clear explanation of the choice between direct operation and franchising, while the criteria distinguishing wholesale from monobrand formats were less explicitly defined. For RQ2, the themes were organised into four broader areas that also structure the presentation of the findings in Chapter 5: ex-ante definition of brand standards and partner requirements,

ongoing monitoring and behavioural control, incentive alignment and partner support, negotiation and local adaptation.

Theme development involved comparison both within and across interviews. Where both informants addressed the same phenomenon, their accounts were compared for convergence or divergence. Apparent differences were not automatically reconciled. Rather than treating the statements as contradictory, the analysis examined whether they referred to different aspects of the same economic structure. By contrast, claims supported by only one informant were retained as single-source evidence rather than presented as independently corroborated organisational facts. This distinction is particularly important for RQ2, where most evidence concerning day-to-day franchising control derives from the operational interview.

The final stage of the analysis involved interpreting these themes in relation to the theoretical framework. Instead of treating the identified mechanisms as separate practices, the analysis considered how they operate together as a system.

3.5 Trustworthiness

The trustworthiness of the study was considered according to the four criteria proposed by Lincoln and Guba (1985): credibility, transferability, dependability and confirmability. Each is addressed below in relation to the evidence on which the study rests, the limits of which are set out in Section 3.7.

Credibility was supported primarily through the close connection between the analysis and the original interview material. Interview evidence was retained with timestamps, and quotations were checked against the original Italian version. In situations of uncertainty concerning the correspondence between the working transcript and the audio record, the relevant passages were reviewed and treated cautiously in the analysis. Member checking was not conducted; hence the findings should not be interpreted as having been validated by the informants.

The two interviews also provided a limited form of cross-informant comparison. Since the informants occupied different organisational roles, their contributions were largely complementary: one provided operational evidence on franchising management, while the other provided evidence on market and distribution-mode decisions. Where both interviews addressed the same issue, their accounts were compared for convergence or divergence. However, many findings remain supported by a single informant and are reported accordingly.

Transferability is supported through the contextual description provided in Chapter 4, which outlines the company, its international development and its distribution structure. This allows readers to assess the extent to which the findings may be relevant to other firms or international franchising contexts.

Dependability and confirmability were addressed by maintaining an audit trail throughout the analysis. Interview segments were linked to the codes and themes developed during the thematic analysis, allowing the interpretation presented in the findings to be traced back to the underlying interview evidence. Successive stages of the analysis – from transcript review and coding to theme development and interpretation – were documented so that the connection between the empirical material and the final findings remained transparent. The same principle was applied to the literature used in the study, with sources checked before inclusion.

Taken together, these procedures strengthen the transparency and traceability of the analysis, while the limitations of the evidence remain explicit.

3.6 Ethics, consent and reflexivity

Both informants gave their consent to the recording and use of the interviews for the purposes of the study. Consent to attribution of their professional roles was also obtained. Participation was voluntary, and care was taken in reporting information that could be commercially sensitive.

A relevant methodological consideration concerns the researcher's previous internship in Liu Jo's international franchising office (19 January - 17 April 2026). This prior experience facilitated access to the organisation and provided familiarity with the context and terminology discussed during the interviews. At the same time, such familiarity may introduce bias, as assumptions shared with the informants may appear self-evident and therefore receive less questioning than they would from an external researcher. It may also influence the formulation of questions and the interpretation of responses. To limit this risk, the researcher's previous experience was treated solely as contextual knowledge and as a means of gaining access to the case, not as empirical evidence. No claim about Liu Jo's practices was derived from personal experience, and prior familiarity was not treated as independent corroboration of the informants' accounts; the analysis and findings are based exclusively on the interview material. Attention was also given to distinguishing what was explicitly stated by the informants from the researcher's subsequent interpretation, and to acknowledging where the evidence available was incomplete or based on a single perspective.

3.7 Limitations

The study has several limitations. First, the empirical evidence is based on two informants, both representing the franchisor's perspective. Although the interviews provide complementary operational and strategic views and overlap on some aspects of the distribution system, they do not include the perspective of franchisees or distributors.

This limitation is particularly relevant to the second research question. The study identifies the mechanisms used to control and support franchisees, but it cannot independently establish how these mechanisms are perceived by partners or whether they ultimately produce brand coherence from the perspective of consumers. Effectiveness can therefore be assessed only in terms of reported partner compliance with company standards.

The evidence available for RQ1 is also uneven. The strategic interview provides a relatively clear explanation of market prioritisation and of the economic logic underlying the choice between direct operation and franchising, as well as evidence on institutional constraints, affiliation and subsequent changes in governance mode. However, the interviews provide less detailed evidence on the internal decision-making process itself, including who participates in entry decisions, the full range of information considered, and the time required to reach a decision. They also do not establish an equally clear rule for choosing wholesale rather than a monobrand format, or affiliation rather than franchising.

A further limitation concerns transcription and translation: they were checked by the researcher rather than by an independent reviewer, so minor inaccuracies may remain.

Finally, as the study examines one company within the premium fashion sector, its findings are not intended to be statistically generalisable. Rather, they provide an in-depth account of how governance-mode selection and franchising control operate within this particular organisational context. Further research incorporating franchisee perspectives, additional firms or direct observation of international stores would allow the findings to be tested and extended.

4 Liu Jo

This chapter presents the case firm and its distribution architecture, drawing on verified company and press sources for the public record. Its purpose is descriptive: to introduce Liu Jo (4.1), trace its evolution within the Carpi textile district (4.2), outline its international expansion (4.3), describe its current distribution (4.4), and examine its competitive positioning (4.5).

4.1 Company History & Evolution

Liu Jo S.p.A. was founded in 1995 in Carpi (Modena) by the two brothers Marco and Vannis Marchi, evolving from a knitwear specialist into one of Italy's premium fashion brands. Its trajectory reflects both the entrepreneurial tradition of the Carpi textile district – one of Italy's historic centres for ready-to-wear manufacturing – and a gradual transformation into a diversified fashion group with international ambitions. The company has been able to grow in both the domestic and international markets thanks to the clothing collections, with denim being one of its most recognised categories, as well as knitwear and accessories highlighted as the company's core items.

From the early 2000s, the brand expanded beyond womenswear. Between 2000 and 2006 it developed accessory lines and kidswear and signed its first licences, moving towards a lifestyle positioning. In 2008 it expanded on footwear, alongside the television campaign for the Bottom Up jeans, which the company claims made it the first fashion brand to advertise such a product on television. Further licenses followed: underwear and beachwear in 2009-2010, eyewear in 2013, fragrances in 2014. A proprietary e-commerce platform was launched in 2013, which the company presents as a means of consolidating its international presence. Kate Moss became brand ambassador in 2011. In 2019 the firm consolidated its social and environmental initiatives into a single programme, #BetterTogether, and in 2020 it marked its twenty-fifth anniversary (Liu Jo, n.d.-a).

Since the latter part of the 2010s, the company's corporate structure has undergone a significant change from being a founder-managed organisation to a professionalised and diversified group. In 2017, the brand underwent a major corporate restructuring worth €130 million: Vannis Marchi stepped down from the board, reducing his stake to 10%, while remaining an investor (ANSA, 2017; Passeri, 2017). Moreover, Marco Marchi added the role of Sole Director to his position as Creative Director. Such a choice marked the transition from a founder-managed family company towards a more structured corporate organisation, preparing for a possible IPO (Bolelli, 2019).

Diversification followed shortly afterwards. In 2019, through his holding company Eccellenze Italiane, Marco Marchi bought Blufin, the parent company of Blumarine, from the Tarabini family (*Il marchio Blumarine*, 2019). In 2021, Liu Jo Group assumed the production and distribution of Blufin's Blugirl and Miss Blumarine lines, for which it aimed to use wholesale, particularly in Europe, Russia and the Middle East (Turra, 2021). During the same period, Marchi took a 15% stake in the department store chain Coin (Galbiati, 2019). In April 2024, five years after the creation of Eccellenze Italiane Holding, the group's holding company was renamed Exelite, bringing together Liu Jo Group, Liu Jo Luxury, and Liu Jo Uomo in addition to Blumarine as well as the Eli and Digital Boite entities (Exelite, 2024). Menswear, historically a licensed business managed by the Naples-based Co.ca.ma. since 2012, was brought partly in-house in November 2023, when Liu Jo acquired 51% of a newly incorporated company, Liu Jo Uomo S.r.l., into which Co.ca.ma. transferred its menswear production and commercial activities. Co.ca.ma. retained the remaining 49%, and its founder Giuseppe Nardelli became chief executive of the new company (Liu Jo, 2023). The line had measurable scale: Liu Jo Uomo concluded 2023 with a turnover of €60 million, and by mid-2024 it had 35 monobrand stores and a presence in almost 450 wholesale points of sale, with a stated plan to reach at least 70 retail points of sale within three years (Caruccio, 2024).

The leadership generation was also replaced. In October 2025, Marchi made his exit as the head of the company and handed the leadership to Maurizio Croceri, who worked with him for ten years and oversaw the relaunch of the group's footwear division, which saw an increase in revenue from €10 million to €70 million (Passeri, 2025). Croceri was also appointed chief executive of the Exelite holding. The change coincided with the brand's relaunch project: the manifesto project Liu Jo Ora, which was introduced in Milan in November 2025 and was continued at the brand's first runway show, in Venice in May 2026 (Passeri, 2026).

On scale, the available figures indicate a company of roughly half a billion euros in revenue, though they must be read with care because they come from different sources and reporting scopes. The trade press reports group revenues of €416 million for financial year 2021 and, thereafter, €492 million (2022) (Liu Jo, n.d.-a), €489 million (2024) (Passeri, 2025) and €497 million (2025), with €500 million targeted for 2026 (Passeri, 2026). No figure for 2023 is captured by the verified sources, so the apparent series has a gap at its centre. The figures from 2022 to 2025 suggest a near-plateau around €490-497 million rather than continuous growth. As of the May 2026 interviews with its chief executive, Italy accounted for 45% of the company's results (Passeri, 2026). The firm that emerges from this record is a

premium Italian house rooted in a knitwear district, built by its founding family and now under professional management, which has diversified into adjacent brands and categories, and grown to substantial scale while remaining anchored in its home market.

4.2 Liu Jo contextualised in the Carpi textile district

Liu Jo emerged within the Carpi textile district, one of Italy's most prominent knitwear manufacturing areas. Its origins are rooted in pre-industrial straw-plaiting and straw-hat activities which date back to the 16th century, before gradually reconverting into knitwear and apparel manufacturing between the two World Wars. This specialisation fostered the development of a dense network of small and medium-size enterprises, as well as expert subcontractors, transforming Carpi into one of the pillars of the Italian manufacturing system. From a theoretical perspective, this production model can be interpreted through Marshall's (1890/1920) notion of *external economies* – an agglomeration of benefits created by specialised labour, supplier networks, and shared knowledge – reframed by Becattini (1990, p. 38) as *industrial district*: a socio-territorial entity defined by the active presence of both "a community of people and a population of firms" within one historically bounded area, held together by a relatively homogeneous system of values transmitted through local institutions (Becattini, 1990, p. 39). Moreover, Porter (1998) highlighted that such clusters enhance productivity and innovation and ease new-firm formation. Together, these viewpoints provide the conceptual framework for understanding the environment in which Liu Jo emerged, inheriting a localised productive capital that would later underpin the 'Made in Italy' positioning of its brand.

The Carpi district nevertheless experienced a profound transformation from the 1990s onwards, in line with the trajectory of Italian industrial districts more generally (Ricciardi, 2013). As a result of the phaseout of the Multi-Fibre Agreement (1995-2004) and therefore the progressive liberalisation of international textile trade, the district was exposed to low-cost import competition. Moreover, leader firms shifted from in-house manufacturing to delocalised production, challenging the traditional production model of many Italian districts. Between 1990 and 2021, the number of knitwear and clothing firms in the district declined from 2,258 to 596, while employment fell by 61%[1], illustrating the downsizing of the local manufacturing base. The district nevertheless repositioned itself towards higher value-added production,

[1] The 2021 figures for firms and employees are reported directly by R&I (Bigarelli & Baracchi, 2022). The 1990 base is not given in absolute terms: the report presents the long-run series as index numbers (1990 = 100), and the 1990 firm count and the fall in employment are derived from that series. They are therefore approximate, and the 1990 figure, in particular, should be verified against the full report before being relied upon.

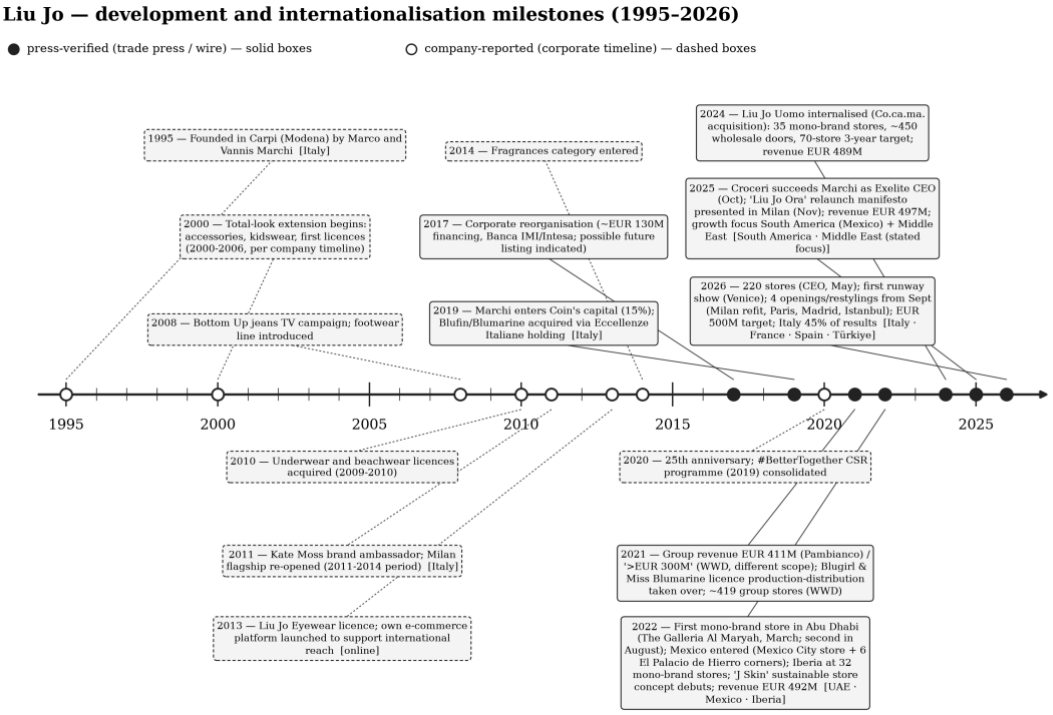
though not always under its own brands. By 2021 the district's own high-visibility brands accounted for 45.8% of final firms' turnover, down from 55.0% in 2016, while externally owned high-visibility brands rose from 18.8% to 34.8% - a shift the report attributes in part to acquisitions of local firms by brands based outside the district (Bigarelli & Baracchi, 2022). At the same time, production shifted from vertically integrated manufacturing towards coordinated supply networks in which firms increasingly retained strategic functions, while outsourcing manufacturing activities to specialised suppliers. Distribution shifted in the same period: between 2016 and 2021 the share of final firms' turnover sold through own or franchised stores rose from 23.1% to 28.5%, while multibrand retail fell from 54.1% to 49.0% (Bigarelli & Baracchi, 2022).

Liu Jo represents one of the clearest examples of this transition. While initially rooted in the manufacturing capabilities of the Carpi district, Liu Jo adapted to the changing dynamics of the fashion industry by outsourcing production and concentrating on higher value-added activities, that is initiatives in brand development – the expansion of directly operated monobrand stores, investment in brand visibility, product placement and marketing – as Marco Marchi has reported "Il valore aggiunto di un marchio si ottiene attraverso la comunicazione" (as cited in Gallo, 2012, p. 7) ("A brand's value added is achieved through communication") (Author's translation). In this sense, Liu Jo evolved into what the literature defines as an *impresa guida* (leading firm), which centralises the strategic activities of the production and subcontracts the technical production to other enterprises, both within and outside the district. Consequently, the Carpi district should be understood not as the explanation for Liu Jo's current competitive advantage, but as the socio-economic environment that shaped its origins and enabled its ensuing evolution.

4.3 Internationalisation timeline

The international expansion of Liu Jo provides a rather inconsistent record. The recent period of the company is specifically mentioned in the company's own resources and the trade press while they leave the earlier international sequence – the order in which markets were entered and the modes used to enter them – largely unspecified. What follows reconstructs the verified milestones and marks, rather than fills, the points at which the record is silent.

Figure 4.3. *Liu Jo – development and internationalisation milestones, 1995-2026. Open markers and dashed boxes denote company-reported milestones (corporate timeline); filled markers and solid boxes denote press-verified milestones.*



Source: *Author's elaboration based on company sources and secondary sources*

Domestic foundations: 1995-2005

By the middle of the 2000s Liu Jo had consolidated its position in the domestic market, laying the foundations for its subsequent international expansion. Founded in Carpi in 1995, the company spent its first decade building an Italian retail presence: after entering the market through multibrand wholesale, Liu Jo opened its first monobrand store in Forte dei Marmi (Tuscany) in 1998, followed by boutiques in Milan and Florence, as well as by an opening in Rome in 2000 (Gallo, 2012, p.8). Alongside this monobrand implementation the brand continued to rely heavily on wholesale, reaching several hundred multibrand stores across the country. The symbolic consolidation of this base came in 2005 with the opening of the flagship store on Corso Vittorio Emanuele II in Milan – the showcase for the brand's international ambitions, and the year in which the group turnover stood at €80 million (*Nasce a Milano*, 2005).

First foreign steps: 2005-2008

Liu Jo's earliest moves beyond Italy were made through local distributors and commercial agents rather than owned stores. One of the first steps was the Japanese market: in 2006 Liu Jo

concluded distribution agreements with two local firms Micalady Inc. and Coronet Corporation, opening a point of sale in Tokyo and planning a wider expansion (*Liu Jo firma con Micalady*, 2006). Thereafter, a shift towards a higher level of involvement came at the end of 2008, when the company established Liu Jo Asia-Pacific Ltd in Hong Kong, a controlled subsidiary responsible for the brand's retail operations across the Far East (*Liu Jo va in Asia*, 2009). The creation of a wholly owned division, to oversee the region, marked a departure from the purely distributor-based approach that had characterised the brand's first Asian presence. It also set the model for the expansion of the years that followed.

European retail build-out: 2009-2011

The year 2009 was pivotal and its centre of gravity was Europe. Liu Jo created Liu Jo Retail Benelux and, in parallel, signed a joint venture with its Benelux distributor with the objective of opening new monobrand stores starting in Belgium (*Liu Jo punta verso il Benelux*, 2009). The company expanded its retail network by opening new shop-in-shops in France, its first boutique in Düsseldorf and a new monobrand store in Milan. During the same period, Liu Jo announced its entry into Greece (retail shop-in-shop in Athens), Saudi Arabia (Jeddah) and Morocco (Casablanca), through distributor or local partners. Today, the brand's presence in the three markets is confirmed by the official Liu Jo store locator (*Attica Citylink Athens*, n.d.; *Liu Jo Store Casablanca*, n.d.; *Store Locator*, n.d.) even though the precise entry dates are not documented by independent sources. Its development continued in Asia, particularly in Seoul (South Korea), through the Hong Kong subsidiary. Growth accelerated in 2010: Liu Jo founded Liu Jo Polska in Warsaw to develop the Polish market (*LIU.JO POLSKA*, n.d.). By the end of the year, the brand counted more than 190 monobrand stores and around 4,500 multibrand points of sale across more than 30 countries (Gallo, 2012), with group turnover of about €240 million (Dainese, 2012).

Subsidiaries and joint ventures: 2012-2013

By 2012 the firm's strategy had visibly shifted towards monobrand retail, as its retail network consisted of 261 monobrand points worldwide, of which 83 DOS and 178 franchised (Dainese, 2012). The most significant governance move of the year was the establishment of more committed organisational structures in specific markets. In Russia, Liu Jo signed a joint venture with its historical distributor IFD (International Fashion Diffusion) (*IFD – International Fashion Diffusion*, n.d.), creating Liu Jo Russia & Republic Retail to manage retail across the country, in the former Soviet republics and the Baltic states (*Sportswear International*, 2012). In Germany Liu Jo S.p.A German Branch was registered in Munich.

Finally, the company entered the Spanish market with its first store in Barcelona, even though distribution was run through the third-party wholesaler Vía Emilia. The brand took direct control of the market only in 2020, when it established its Iberian subsidiary and took over from Vía Emilia (Modaes, 2020). In September 2012, the Milan flagship store reopened after being enlarged and renovated, becoming the largest Liu Jo store in the world (Ricco, 2012). The following year brought two developments of a different kind. In 2013 Liu Jo launched a new website and e-commerce platform, extending the brand's reach into digital retail (Peveralli, 2013). Moreover, in China, the company signed a master franchise agreement with China Resources Textiles – part of China Resources Holdings – providing for the development of up to 200 monobrand stores over five years (Garavaglia, 2013).

European deepening and the peak of the network: 2014-2019

The second half of the decade combined a deeper penetration of existing European markets with a continued entry into new ones. Following the opening of a store in Munich in 2016 (Radaelli, 2016), when the group's output reached approximately €305 million (Passeri, 2017), Liu Jo continued its international expansion in 2018 with its first monobrand stores in Austria and Serbia, while further strengthening its presence in France, its largest export market. By then, international sales accounted for around 40% of total turnover. In China the company changed its direction, ending its earlier local partnership and re-entering directly in May 2018 with a company-owned store at Plaza 66 in Shanghai (Galbiati, 2018). A comparable move followed in Russia, where in March 2019 Liu Jo opened its first directly owned boutique in St Petersburg, having previously operated there through a partner. By this stage the network had reached its widest extent: reporting from January 2019 described nearly 480 monobrand stores and 5,300 retailers, and by the end of the year the brand counted on the order of 510 monobrand stores and more than 6,200 multibrand stores across 48 countries, with turnover of about €400 million (Magri, 2020).

Iberia, Middle East, Latin America: 2020-2026

In 2020, Liu Jo established a subsidiary for the Iberian market, taking direct management of Spain, Portugal and Andorra from its former distributor, and by the end of 2022 the brand operated 32 monobrand stores across the three countries (Carmona, 2022). Two years later, the company entered the Middle East, opening its first store in the United Arab Emirates in Abu Dhabi and Dubai. Additionally, it expanded in Mexico with a monobrand store and several shop-in-shops in Mexico City (*Liu Jo cresce tra opening*, 2022).

As described on the official Liu Jo website, the present-day picture reflects a widespread distribution network: an e-commerce web page active in 45 countries and 283 monobrand boutiques "of which 91 are directly operated – among them Milan, Rome, Zurich, Berlin, Paris, Madrid, Barcelona and Dubai", in addition to "shop-in-shops in leading department stores", and to a "network of nearly 5,000 multibrand and online retailers" (Liu Jo, n.d.-b) (Author's translation). Under the new CEO Maurizio Croceri, the firm reported revenues of €497 million in 2025, with Italy responsible for 45% of the total and a stated goal of exceeding €500 million for the current year. At the same time, the company announced four new openings and restyling in Milan, Paris, Madrid and Istanbul from September onward (Passeri, 2026).

4.4 The distribution model today

For what concerns the current distribution model of Liu Jo, its architecture consists of three physical channels: directly operated stores (DOS) (4.4.1), monobrand franchise boutiques (4.4.2), multibrand/wholesale including department store shop-in-shops (4.4.3). As reported in the previous section, the 2025 figures accounted on Liu Jo's official website stand at 283 monobrand stores (91 DOS), approximately 5,000 multibrand and online retailers and e-commerce in 45 countries. These figures provide the factual reference point for the discussion that follows. Because store counts and retailer numbers are revised continually, they are reported here as the position stated by the company as of 2025.

4.4.1 Directly operated stores and flagships

A directly operated store (DOS) is a retail outlet owned and operated by the brand itself, so that the firm holds full equity in the point of sale and sustains the entire investment, inventory, and operational risk. Among the range of methods through which a fashion company can reach consumers, the directly operated store is the most control intensive. Indeed, since the brand owns the outlet, it oversees the product presentation, the service, the pricing setting and the customer relationship directly, as well as retaining the full retail margin. The counterpart is a heavier commitment of capital and a greater exposure to fixed costs and commercial risks compared to other channels (Moore et al., 2010).

The flagship store is a specific sub-type of directly operated store rather than a separate channel. Kozinets et al. (2002, p. 17) define a flagship as a store that carries a single brand of product, is owned by that brand's manufacturer, and is "operated – at least in part – with the intention of building or reinforcing the image of the brand rather than operating to sell a product at a profit". The first two characteristics – single brand and firm ownership – are shared with

any DOS; while the third, its orientation towards brand communication rather than profitability, is what sets it apart. The fashion literature conceives the flagship as an instrument for brand development and, often, market entry, as it is mainly distinguished by its scale, prime location and ambitious design (Moore et al., 2010). Of Liu Jo's 283 monobrand stores, 91 are directly operated. Within that group, the high-street stores – such as the boutique on Corso Vittorio Emanuele II in Milan – fulfil the brand presentation role that the literature associates with flagships, while the remainder constitute the company's directly owned retail presence more generally.

4.4.2 Franchised monobrand stores and affiliations

Franchising is a contractual arrangement between two legally independent firms in which the franchisor grants the franchisee the right to trade under its brand name and business format in return for fees, royalties and the franchisee's adherence to the franchisor's standards (Combs et al., 2004). As a route to market development, it allows a brand to extend its retail presence while drawing on the franchisee's capital and local market knowledge, without the risk of committing the equity that a directly operated store requires. Despite that, the franchisor may still risk a reduction in the brand's direct control over the individual outlet (Doherty, 2007).

The interview conducted for this study introduces a contractual form not mentioned in the company's public materials: affiliation (*affiliazione*), which according to the Export Sales Director is a model intermediate between franchising and direct operation. In an affiliation, the partner not only is the one who provides the premises, but also pays the key money, rents, and staff. On the other hand, the merchandise is kept as property of Liu Jo, unsold stock returns to the company at the end of the season, and the monthly earnings are shared between the company and the partner as per a formula provided by a simulated per-store profit-and-loss account.

The store format should be distinguished from the ownership arrangement. Monobrand boutique describes a format – a single-brand outlet presenting the brand's full range – whereas franchised and directly operated describe who owns and bears the risk of the outlet. A monobrand boutique may therefore be either franchised or directly operated, and the two can be materially indistinguishable to a customer, differing only in their governance.

4.4.3 Wholesale and multibrand distribution

In the wholesale channel a brand sells its merchandise to independent retailers, who in turn resell it to customers in their own stores. By contrast, a multibrand retailer is an independent outlet carrying the merchandise of several brands alongside one another. This channel represents a low risk means of generating cash flow, acquiring market intelligence and building customer loyalty. Indeed, it offers a wider and more rapid market reach and penetration without the brand having to fund or operate the points of sale. Nevertheless, this approach entails the least control of the three physical channels, considering that the brand neither owns the retail environment nor directly determines how its product is presented (Moore et al., 2000). Wholesale distribution has historically constituted the first stage of fashion firms' market development, as it is commonly viewed as a transactional phase preceding more challenging investments, such as the opening of a flagship (Moore et al., 2010).

Shop-in-shops occupy an intermediate position within this channel. In a shop-in-shop the brand operates a defined space inside a host retailer's store, typically retaining influence over the assortment and presentation, while the host supplies the location and the customer traffic (Picot-Coupey et al., 2018). Such a structure, thereby, combines part of the control associated with owned retail with the scope and reduced capital investment associated with selling through a third party.

Liu Jo's wholesale channel comprises a network of approximately 5,000 multibrand and online retailers (Liu Jo, n.d.-b), making it by a wide margin the most extensive of its channels measured by number of points of sale. Within it, the brand maintains shop-in-shops in leading department stores, including El Corte Inglés in Spain, El Palacio de Hierro in Mexico, KaDeWe in Berlin, Oberpollinger in Munich, Breuninger in Stuttgart, and De Bijenkorf in the Netherlands (Liu Jo, n.d.-b).

4.5 Competitive positioning

The purpose of this section is to locate Liu Jo among comparable firms and examine the balance a brand achieves between owning its points of sale, franchising them and selling through wholesale accounts, and the use it makes of each channel in reaching foreign markets. The comparators are ordered along a spectrum of franchise intensity: at one end sit firms that reach consumers through wholesale and retailers; at the other, firms whose network is substantially or entirely built on franchising; and in between, companies that combine directly operated stores, franchised boutiques and wholesale in a single mixed model. Liu Jo belongs to this

mixed group in the middle, and the comparison below is organised to highlight where along the spectrum it and its principal comparators fall. Table 4.5 summarises the set; because its figures come from different years and from a mixture of brand-level and group-level sources, and because firms count 'stores' in different ways, it is offered as an indicative overview rather than a precise like-for-like comparison.

Table 4.5. *The competitive set, ordered by franchise intensity (indicative; figures dated as shown and not strictly comparable – see note).*

Brand / Group	HQ (region)	Founded	Segment	Revenue (year)	Store network (latest available)	Channel emphasis relative to franchising
Patrizia Pepe (Tessilform)	Campi Bisenzio, Florence (Tuscany)	1993	Premium	~€103m (2018)[a]; €90.1m (2024)[b]	~2,000 multibrand (mid-2010s) 66 monobrand (2026)	Wholesale / multibrand-led; franchise-light
Liu Jo	Carpi, Modena (Emilia-Romagna)	1995	Premium	€497m (2025)[c]	283 monobrand, 91 DOS + ~5,000 multibrand & online retailers (2025)	Mixed: DOS + franchising + wholesale + e-comm
Twinset (Simona Barbieri)	Carpi, Modena (Emilia-Romagna)	1990	Premium	~€243m (2016)[d]; €200m (2024)[e]	150 monobrand + corners + wholesale (2025)	Mixed: DOS + franchise + wholesale + e-comm
Pinko (Cris Conf)	Fidenza, Parma (Emilia-Romagna)	Late 1980s	Premium	€190.7m (2024)[f] (Cris Conf)	~200 monobrand + wholesale (2026)	Mixed: DOS + franchise + wholesale + travel retail
Zara (Inditex)	La Coruña (Spain)	1975	Fast fashion / Mass market	Inditex group: tens of €bn[g]	Thousands of stores, ~90+ markets (2026)	Predominantly company-owned; franchising / JV used selectively
MAX&Co. (Max Mara Fashion Group)	Reggio Emilia (Emilia-Romagna)	Brand 1986 (group 1951)	Premium	Group >€1bn (group-level)[h]	MAX&Co. ~400 stores (2025)	Franchising used as market-entry mode
Mango	Barcelona (Spain)	1984	Fast fashion / Mass market	~€3.3bn (2024)[i]; ~€3.8bn (2025)[j]	2,900+ points of sale, 120+ markets (2026)	Franchise-led, alongside company-owned + corners + online
Calzedonia / Oniverse	Dossobuono, Verona (Veneto)	1986	Mass market	~€3.5bn (2024)[k]	5,700 monobrand points of sale, 57 countries	Franchise-native from the outset

Note. *Figures are drawn from company reporting, filed accounts and trade press of differing dates and reliability; they combine brand-level and group-level data and reflect differing definitions of a 'store' (monobrand outlets in some cases, total points of sale in others). They are presented to indicate relative position and order of magnitude, not as a precise like-for-like comparison, and individual figures should be*

verified against primary sources before being relied upon. The ordering by franchise intensity is a descriptive device based on the channel emphasis reported for each firm, not a precise ranking. Zara and Mango are shown as reference poles of the owned-against-franchised choice rather than as strictly ordered points on the franchise-intensity scale (see text).

Sources: [a]*Pieraccini (2020).* [b]*Top Aziende (n.d.).* [c]*Passeri (2026).* [d]*Zargani (2017).* [e]*Quadrivio Group (2025).* [f]*Ufficio Camerale (n.d.).* [g]*Inditex (n.d.).* [h]*Max Mara Fashion Group (n.d.).* [i]*Mango Fashion Group (2025).* [j]*Mango Fashion Group (n.d.).* [k]*Oniverse (n.d.).*

At the wholesale end of the spectrum stands Patrizia Pepe, created in 1993 by Patrizia Bambi and Claudio Orrea and owned by the Florentine company Tessilform. While Liu Jo's own-brand stores form the core of its retail presence, Patrizia Pepe maintains a comparatively small monobrand network: 66 stores, including 51 boutiques and 15 outlets, are listed on the brand's official store locator[2] (*Negozi e punti vendita Patrizia Pepe*, n.d.). Trade reporting from 2014 described the firm as reaching the market principally through the multibrand channel, amounting to nearly 2,000 points of sale (Muret, 2014)[3]. Patrizia Pepe thus represents a channel configuration Liu Jo has not adopted, that is one weighted towards the independent multibrand approach rather than the monobrand boutique.

Liu Jo's own position is shared most closely by two other Emilian houses, which places its nearest comparators within the same regional ecosystem and the same clothing tradition described in Section 4.1. The clearest example is Twinset founded in Carpi in 1990 by Simona Barbieri and Tiziano Sgarbi. Like Liu Jo, the brand started its journey as a knitwear producer before it broadened into a full total look in the premium segment. In 2025, Twinset adopted an omnichannel distribution: DOS and franchising (more than 150 stores), wholesale and e-commerce, the same channels in which Liu Jo operates (Quadrivio Group, 2025). Pinko, part of Cris Conf S.p.A, founded in Fidenza (Parma) in the late 1980s by Pietro Negra and Cristina Rubini, occupies the same middle ground as its competitors Liu Jo and Twinset. The brand owns more than 200 monobrand boutiques[4] (DOS and franchising), as well as points of sale across international department stores, together with a travel retail presence (Pinko, n.d.-b). Thus, Liu Jo stands alongside Twinset and Pinko in relying not on a single distribution channel,

[2] Counted from Patrizia Pepe's official store locator (worldwide, accessed July 2026); a point-in-time figure that does not distinguish directly operated from franchised boutiques and will change over time.

[3] The ~2,000 multibrand figure is from 2014 and predates the current store count by roughly a decade; the two are reported here as dated snapshots, not as a single contemporaneous picture, and the wholesale figure should be re-verified against a more recent source before it is relied upon.

[4] Counted from Pinko's official store locator (*Lista dei negozi Pinko*, n.d.) (worldwide, accessed July 2026); a point-in-time figure that does not distinguish directly operated from franchised boutiques and will change over time.

but on a combination of owned and franchised boutiques supported by an extensive wholesale base.

The two Spanish fast-fashion groups (Zara and Mango) are included as reference poles rather than as competitors – indeed they operate at far greater scale and a lower price point. On the one hand, Zara marks the owned extreme of the distribution choice and on the other, Mango marks the franchise-led extreme. Between these poles sit the mixed Italian houses, Liu Jo included, which combine the three channels (directly operated, franchised, wholesale) in proportions each firm sets for itself. Zara, founded in La Coruña (Spain) in 1975, is the retail flagship of the Inditex Group and it expands mostly on a company-owned basis. The great majority of its stores are directly operated; franchising was reserved for "countries that were small, risky, or subject to significant cultural differences or administrative barriers" (Ghemawat & Nueno, 2006, p. 17), while joint ventures have been implemented "in larger, more important markets where there were barriers to direct entry, most often ones related to the difficulty of obtaining prime retail space in city centers" (Ghemawat & Nueno, 2006, p. 17). In contrast to Liu Jo's mixed network, Zara represents a model based almost entirely on internalisation, using franchising only where direct ownership is challenging. Mango, on the other hand, represents the opposite emphasis. Launched in Barcelona in 1984, it started franchising in its first year. It is among the most internationally franchised of Spanish fashion brands, reaching more than 2,900 points of sale across more than 120 markets through company-owned and franchised stores, department store shop-in-shops and online sales (Mango Fashion Group, n.d.). In the mid-2010s roughly 60% of its network was franchised and 40% company-owned, against an initial target of 70/30 (Agrawal, 2015). Mango also shows that the choice is not fixed once made, and that it can move in either direction: in 2022 it converted seven franchised stores in Italian railway stations into company-owned units, while in Russia it withdrew from direct operation and transferred its company-owned stores to franchisees (Mango Fashion Group, 2022) – the same adjustable balance that Liu Jo, on a smaller scale, strikes between its directly operated and franchised boutiques.

Moving towards the opposite end of the spectrum, franchising assumes a more central role in the market entry route, particularly for MAX&Co. and Calzedonia. The former is the contemporary diffusion line, launched in 1986, of the Max Mara Fashion Group founded in Reggio Emilia in 1951, and it operates over 400 stores globally (Crossley, 2025) and uses franchising specifically as a means of market entry. A case in point is the master franchising agreement concluded with Reliance Brands in 2025 to introduce the brand to India (Crossley,

2025). Like Liu Jo, which also relies partly on franchising to support its direct-to-consumer expansion, MAX&Co. exemplifies the use of franchising as the primary instrument for entering distant markets. The Calzedonia group, renamed Oniverse in 2023, stands at the spectrum's end as the domestic case of a network built on franchising from the outset. Founded in Verona in 1986 by Sandro Veronesi, it has built a set of monobrand chains – Calzedonia, Intimissimi, Tezenis and Falconeri among them – organised through stores that are either directly owned or operated by franchisees, reaching 5700 points of sale across 57 countries (Oniverse, n.d.). On its official webpage, the group states that its franchise agreement does not provide for royalties and the relationship is fostered through close operational support instead (Oniverse, n.d.). In comparison with Liu Jo which franchises a portion of its network, Oniverse shows the franchise-based approach at its fullest extent and made it the near exclusive means of distribution.

Placed on this spectrum, Liu Jo occupies a describable and consistent position. By segment it belongs with the Italian premium and contemporary houses – Pinko, Twinset, Patrizia Pepe and MAX&Co – rather than with the mass-market groups. By scale, its turnover of approximately €497 million in 2025 places it above Pinko, Patrizia Pepe and Twinset, while remaining substantially smaller than the two Spanish brands and the Oniverse portfolio. By channel model it stands with Twinset and Pinko in the mixed middle of the spectrum: more reliant on its own and franchised boutiques than the wholesale-led Patrizia Pepe, but far from the franchise-based configuration of Oniverse, and internal to the poles that Zara's owned model and Mango's franchise-led model mark out. What this position implies for Liu Jo's channel and internationalisation strategy – why the mixed model, why franchising is chosen for specific markets, and how the brand maintains coherence across stores outside of its direct operational control – will be tackled in Chapter 5.

5 Findings

The study's empirical findings are first segmented by research question and then, within each, by theme. The evidence rests on two interviews with Liu Jo's export organisation at different levels: the Retail Manager for the international franchising channel (Middle East, Mediterranean, South America), who is the operational informant whose testimony grounds most of the control mechanisms in Section 5.2; and the Export Sales Director, who is the strategic informant and provides the market- and mode-selection logic that could not be reached by the first round of fieldwork. The account assumes the perspective of a franchisor only: both informants are representatives of the firm, no franchisee was interviewed, and the claims are attributed throughout to the informants by role instead of being asserted as corporate facts. When the two accounts describe the same fact differently, both interpretations are cited, and the discrepancy is interpreted as evidence.

5.1 Governance-mode selection and channel economics (RQ1)

The first research question asks how Liu Jo chooses between directly operated stores, franchising and wholesale in a given international market. The operational informant answers this question only partially, mainly by clarifying the roles of the different channels; the strategic interview completes the picture by showing that the decision involves two sequential choices. First, the company determines which markets to prioritise for development through a centrally defined strategic process. Then, in a chosen market, it determines how each location is served, and there the criterion is explicitly economic. The findings are organised accordingly. Section 5.1.1 examines market prioritisation; Section 5.1.2 considers location economics and the boundary between direct operation and franchising; and Section 5.1.3 extends the analysis to affiliation as a fourth mode. The findings integrate the operational informant's channel economics, and close with the two mechanisms the strategic account adds: an intermediate fourth mode, and the contractual machinery by which modes are switched.

5.1.1 Market prioritisation

Market selection comes first, and it is described as strategic rather than opportunistic. Development is initiated in two ways: through an approach from the market itself, ranging from a single perspective franchisee to an importer-distributor, or through a central strategic decision:

> both when the request is spontaneous from the market and, all the more so, when instead we go and explore a market because there is a strategic interest decided centrally by Liu Jo (INT2, 00:53).

In either case, expansion is selective: "the development operation in every direction, everywhere, is not a strategic logic that pays" (INT2, 00:53), and

> development operations no longer take place from a mere wholesale perspective, that is, I identify a customer, sell him merchandise, and then what happens, happens. This no longer happens and cannot happen (INT2, 00:53).

Even a multibrand wholesale client is therefore assessed as a partner, as Liu Jo considers the street, the neighbouring brands both in-store and in the surrounding area, as well as the client's payment record and history (INT2, 00:53).

Three criteria shape the prioritisation of markets. The first is scale: the strategic informant identifies the United Kingdom as the major European absence, and the Far East and the Americas as the markets that could "make the company grow well beyond the 500 million that we represent today" (INT2, 03:07). The second is product fit: "if I have to go and sell in Japan, almost certainly I have to make a dedicated collection" (INT2, 03:07), whereas geographically and commercially closer markets can adopt the continental-European offer without substantial adaptation (INT2, 03:07). The third is the strategic value that presence in one market may have for expansion into others:

> being present in England is an endorsement for the brand for developments in other markets, for example India. India is a market that, historically part of the Commonwealth, looks to the UK as a reference market (INT2, 03:07).

Underlying all three is an investment logic:

> opening a market does not mean only selling; it means, from moment zero, adopting a perspective of investing, for example in marketing. So, the progression of the markets in which to operate is decided with a strategic logic (INT2, 05:18).

5.1.2 Location economics and the DOS-franchising boundary

Within a chosen market, the mode is assigned not to the market as a whole but to each location within it, and the strategic informant states the criterion for that assignment explicitly: for the choice between DOS and franchising, "the fundamental discriminator factor is […] economic", that is "the ability to sustain a value chain, therefore economic sustainability in one case and in the other" (INT2, 11:03). In first-tier cities, "the cost structure of the store has no room to insert an intermediary" (INT2, 11:03): when the company operates directly, it captures the retail

margin from the final customer, whereas introducing a franchisee would require sufficient margin to remunerate an additional intermediary. The consequence is categorical: “all first-tier cities, the international crossroads of fashion traffic, are managed directly without exception” (INT2, 11:03). This economic rationale is reinforced by a brand-control consideration, because the flagship locations are also “an absolutely visible, accessible representation of the brand” (INT2, 05:53), which the firm prefers to manage directly.

A second economic asymmetry reinforces this logic. Entering a prime fashion street often requires the payment of key money, and “this key money (goodwill) is not paid by a franchisee because he would never expense it; franchising contracts are fixed term, they have a limited term” (INT2, 08:04). The company, by contrast, operates with a long-term horizon and can treat key money as a potentially appreciating investment, since a successful store may later command a higher key money upon transfer. In second-tier cities the economics change: store costs are lower, the value chain can accommodate the partner’s margin, and the partner may also possess advantages locally that the company lacks:

> I as a company gain by having him work because he is more capable than me in the country or in that specific location for approaching the local market, they know him more than they know me. So, in that case there is value in the fact that we entrust the creation of the store to franchising (INT2, 11:03).

The strategic informant’s location-economics logic is broadly consistent with the operational informant’s description of channel economics, although the overlap is only partial. The market-selection criteria and value-chain discriminant come from INT2 (00:53-14:08), while the operational interview supports the broader economic picture by describing the channel in terms of image, risk, and margins, rather than identifying the discriminant itself. The operational account ranks the channels by their profitability to the firm: directly operated stores are the least profitable – “company-owned stores are the least profitable, to be clear, but they are the ones that allow you to carry out development because they are […] image stores” (INT1, 64:20) – while franchising is more profitable because the franchisee bears costs such as staff and rent. Wholesale is described as the most profitable channel because it does not require the same level of monobrand-store support (INT1, 65:41). By contrast, department stores and online sales generate volume but require substantial discounts, contributing primarily to reach the public instead of a margin (INT1, 66:06).

The allocation of risk also differs across modes. Under direct ownership, the store’s profit and loss accrue to the company; under franchising, the operating result of the store is borne by

the franchisee (INT1, 65:09, 65:35). Nevertheless, the company retains lower-margin DOS because they also perform an image and visibility function. These stores are in prestigious locations, where acquisition costs can be so high that "they choke all the margins" (INT1, 07:49), while stores in medium-sized cities may sometimes generate better economic results. For instance, the Milan flagship on Corso Vittorio Emanuele II is described in terms of advertising and brand visibility rather than profitability, even though the stated business metric remains margin: "it's not just turnover […] it's the margin, that's what matters, what remains" (INT1, 08:30).

One apparent discrepancy between the two accounts needs to be clarified. The operational informant describes DOS as the least profitable channel, whereas the strategic informant explains why many of the locations in which DOS are used cannot easily be franchised: in first-tier cities, the same high operating costs that depress store profitability also leave insufficient margin to remunerate an intermediary. The two observations can therefore be reconciled: prime locations may be relatively unprofitable under direct ownership while being even less suitable for franchising. At the same time, their value to the company is partly non-financial because of the visibility and image they provide.

5.1.3 A fourth mode and the contractual machinery of mode switching

The strategic account then widens the repertoire beyond the three modes the study originally set out to examine. Between franchising and direct operation Liu Jo runs a fourth mode, affiliation:

> affiliations (consignment-based partnerships), which are another business model, different again; I could say intermediate between franchising and the completely direct operation. Affiliation starts from the assumption that the partnership is a little closer with the affiliate, and it is an agreement that provides for a more pervasive activity by Liu Jo (INT2, 15:10).

Its structure is consignment with revenue sharing:

> the affiliate makes the premises available, and it is he who pays the key money (goodwill), pays the rent, provides the staff and pays for them, while ownership of the merchandise, instead, is ours. We make the merchandise available and everything that is not sold is returned at the end of the season (INT2, 15:10).

The month's takings "are divided between us and the retailer according to a rationale […] what he puts in the till we divide in a certain way" (INT2, 15:10). The exact revenue split is determined for each store through a simulated profit-and-loss account prepared with the

company's controllers (INT2, 15:10). For the first research question, affiliation shows that Liu Jo's distribution structure extends beyond the conventional triad of wholesale, franchising, and direct operation, and that the four modes differ in the degree of control and financial involvement retained by the company. However, the decision criterion identified by the strategic informant only explains the choice between direct operation and franchising. The interviews do not provide equally explicit criteria for choosing wholesale over a monobrand format, or affiliation over franchising.

The strategic account also supplies what the first interview could not: evidence on how distribution modes are selected when market conditions constrain the available options, and on how those choices may evolve over time. Saudi Arabia illustrates the first case. Direct entry is subject to formal requirements, including "the deposit of 8 million dollars for as long as the business lasts with the state banks of KSA, the constraint to hire a whole series of local sales assistants" (INT2, 12:23). Although the owner initially preferred direct entry – encouraged by the performance of the firm's direct operation in Dubai – the strategic informant "had consultancy reports produced that convinced him that, alas, it was not possible to go directly, so then I began the search for the partner" (INT2, 15:10). Consequently, Liu Jo entered through a master-franchise agreement with a fully local partner, incorporated under Saudi law. Most importantly, the contract also anticipates the possibility of a later change in mode: "we established that we buy back the business and we have already established in the contract the buy-back conditions, that is, the repurchase of the business" (INT2, 15:10). The agreement has a four-plus-four-year term and gives Liu Jo a preferential right to repurchase the business, with valuation criteria – store turnover, condition of furnishings, key money – established at signing (INT2, 15:10).

Vienna provides an example of change in the opposite direction, from affiliation to direct operation:

> I was in Vienna the other day at the Vienna [affiliate's], and now we are stepping in directly. It can happen because the [affiliate] decides to change business, or because he enters into breach of the agreement (INT2, 21:54).

In brief, mode choices are not necessarily permanent. The interviews show that Liu Jo revises them over time and that some of the mechanisms of switching – buy-back provisions, breach clauses, direct takeovers – are incorporated into the contracts themselves.

Taken together, these findings provide an empirical answer to the first research question. Markets are centrally prioritised according to scale, product fit, and endorsement value, and are approached as investment decisions rather than simple sales opportunities. Within a market, the mode is assigned to each location, according to what its economics can sustain: on the strategic informant's account, first-tier flagship locations are operated directly, while second-tier locations may be entrusted to partners with stronger local market capabilities. However, the economic criterion is not the only determinant, since where regulatory requirements foreclose direct entry – as in Saudi Arabia – the mode results from the conditions of access. The strategic account also widens the set of modes in play: affiliation occupies an intermediate position between franchising and direct operation. Finally, mode assignment is dynamic and reversible through contractual provisions.

What remains genuinely open is narrower than before: the process detail of an entry decision – who sits at the table, what data beyond the simulated profit-and-loss account are weighed, how long the decision takes – as well as the criteria for assigning a location to wholesale rather than to a monobrand format, or to affiliation rather than to franchising. These aspects are not addressed by either interview, which also leaves the franchisee's perspective unexplored, since both informants represent the franchisor's side.

5.2 Mechanisms of brand control (RQ2)

The second research question asks what mechanisms Liu Jo deploys to mitigate the franchisor-franchisee principal-agent problem and how effective they are at maintaining brand coherence. The thematic analysis identified four aggregate dimensions that organise Liu Jo's approach to brand control. They describe a control system whose organising principle is not the elimination of divergence but its calibration. First, Liu Jo defines the core elements of the brand; second, it delegates responsibility while monitoring; third, it supports its partners and seeks to align their incentives with its own; and finally, it manages the remaining tensions through negotiation, while preserving a small set of non-negotiable brand requirements.

Brand coherence is understood here in the sense developed in Chapter 2 from Kapferer and Moore (Kapferer, 2012; Moore et al., 2000): the consistent expression of brand identity across points of contact. This study cannot observe coherence directly. Instead, it observes compliance, that is, the extent to which partners follow the standards and practices that Liu Jo itself treats as instruments for maintaining coherence.

All four families apply to the monobrand network. In wholesale, which is the largest channel by number of points of sale (Liu Jo, n.d.-b), the control system is much more limited. It is largely confined to pre-contractual screening: Liu Jo evaluates the retailer's location, neighbouring brands, and payment history before entering the relationship (INT2, 00:53), with none of the visual-merchandising and academy support the monobrand system carries (INT1, 65:41).

The analysis relies mainly on the operational informant's interview, but the strategic interview confirms four important points: buying oversight, monitoring, capability support, and partner economics. It also adds evidence on other aspects, particularly partner screening and the affiliation model. Where a mechanism is supported by only one interview, it is stated explicitly.

5.2.1 Ex-ante control: codification of the brand package and partner screening

The first family of mechanisms codifies the core elements of the brand and grants partners autonomy only within those boundaries. The brand operates through three main elements – store, communication, and assortment – for which the company sets common standards. The store is codified in concrete terms: "even the container, the store, must speak a language in line with the brand" (INT1, 10:11). The firm provides the framework through which that language is expressed: a store layout and concept that remain constant across markets, the requirement to refurbish stores at opening and again once they are more than five years old, and standardised staff uniform, which according to the operational informant "already speaks of a certain type of image that the brand wants to give" (INT1, 14:45).

Communication is even more tightly controlled. Local promotional activity was once more extensive, with partners purchasing advertising spaces in fashion magazines and on billboards, but the company progressively restricted initiatives that were considered inconsistent with the desired brand positioning (INT1, 18:07). Today, in the operational informant's words,

> communication is the same all over the world, so there are 5-6 institutional images per season, very few, which all clients can use to convey the brand in any type of local communication initiative (INT1, 18:07).

Partners were also prevented from independently using the brand on Instagram after they "were conveying images that were not in line with the brand" (INT1, 18:07). The informant gives the example that "if the Modena store takes a photo of a friend of the shop manager with her midriff showing and posts it, you give an image of the brand that isn't the one you should"

(INT1, 18:58). The brand's social-media presence was, therefore, centralised under Liu Jo's official global accounts. Local promotional initiatives remain possible, but only through the approved institutional images, accompanied by the name of the individual store. In this sense, the operational informant locates the purpose of the rule in the travelling client who should recognise the brand and its product across different cities whether it is Dubai, Milan, Casablanca or Aversa because they speak the same "language" (INT1, 18:58-19:59).

Codification of the package presupposes a partner able and willing to implement it, and the strategic interview shows that the firm codifies the partner too, through explicit ex-ante screening, a mechanism that precedes the four families. The criteria are ranked. First, operating experience in the trade: "that job of franchisee, of store manager, must be something they have already done, […] preferably in fashion and better still in the women's premium segment" (INT2, 23:31), so reputation and experience are necessary, because without them "history shows that it does not work" (INT2, 23:31). Second, financial standing:

> the economic and financial reliability of the company, […] we verify that it also has a historical reputation […] that it is a good payer. All issues that can be ascertained with various services (INT2, 23:31).

Third – and most directly aimed at the agency problem – a shared vision of the brand: the candidate's business plan must be "conceived not only to generate an opportunity for profit for them", but with the clear understanding that the store "contributes to what we call brand equity, that is, the value of the brand" (INT2, 23:31). Taken together, these criteria constitute an ex-ante control mechanism, through which Liu Jo can select partners capable of operating within its brand requirements.

The third element, the assortment, is where codification is most explicitly calibrated. The operational informant describes assortment selection as a means of aligning partners with the brand's positioning, image and core categories of denim, knitwear, and accessories. Thus, the company establishes that approximately 70% of a monobrand partner's assortment should reflect the selection made for the directly operated stores (INT1, 11:49). The selection made by the buyers is also made available to the other monobrand formats – affiliates and corners, cited by the informant – who are "strongly suggested, not to say imposed, to follow […] 70%" of it (INT1, 12:08). The remaining 30% is left intentionally to the partner: "why 70% and not 100%? Because it is thought that the partners in the territories know well what the necessary adaptations [are]" (INT1, 12:50). When asked whether franchisees' purchases are systematically different from the directly operated assortment, she replied negatively – "No,

we're at about 70% adherence" (INT1, 56:47) – explaining that about 70% of the franchised orders respect the retail choice, while 30% are different in model or colour.

The stated norm and the reported outcome are similar, but they do not refer to the same population: the norm is set for monobrand buying generally and illustrated with reference to affiliates and corners, while the adherence figure is reported for franchising orders. The recurrence of the same 70% threshold across different monobrand formats is itself informative, but it should not be treated as independent validation, since both figures come from the same informant. The similarity supports the internal consistency of her account rather than independently confirming actual partner behaviour. The 70/30 rule illustrates the broader logic of the control system: a standardised core combined with a limited margin for local adaptation built into the assortment policy.

Codification fixes the boundaries within which local adaptation can take place. The remaining 30% of the assortment provides an explicit space for local market knowledge; for instance, the Saudi stores carry roughly twice the European weight of accessories (INT1, 12:50), because local wardrobes are dominated by covering garments, and the Retail Manager presents such adaptations as a condition for performance rather than a concession to the partner ("adjustment is necessary to achieve performance and to maximise turnover", INT1, 12:50). How that space is negotiated in each buying campaign is taken up in 5.2.2. The store concept follows the same principle: it functions as a recognisable model and not as a fixed template. It evolves over the years while still revolving around a light, bright and feminine image, arranged so that the product stands out, with floor space weighted towards the brand's strengths in denim and knitwear (INT1, 10:34). According to the informant, coherence across markets rests simultaneously on "the image we convey, the product we select, the communication we do" (INT1, 17:12). Across these areas, the same pattern emerges: the company defines the central standard, while allowing some aspects of its local application to be adapted to market conditions.

5.2.2 Ongoing behavioural control without direct command: monitoring, diagnosis and persuasion

Once the brand standards have been established, control shifts from ex-ante codification to ongoing monitoring. What distinguishes this second dimension is that compliance is primarily pursued through observation, diagnosis, and guidance, rather than direct command. Compliance is watched rather than assumed:

> every 2 weeks they [monobrand stores] change the entire display; the clients send the photos, which are promptly corrected by the Visual Merchandising team […]. Moreover, the stores are guided through seasonal books, which are sent once a season with all the shots of the collection (INT1, 22:27).

The intensity of this visual monitoring varies with the visibility of the location. The operational informant contrasts ordinary stores with highly visible locations such as Milan's Corso Vittorio Emanuele II and Rome's Via dei Condotti, where head-office visual merchandisers may intervene as often as weekly because "the store must always be the way the company wants it to be; you can't delegate that" (INT1, 28:53). Visual merchandisers also visit stores routinely to maintain alignment with company standards and are called in when a store's image is judged inadequate or its positioning too low (INT1, 05:44). At the same time, complete conformity is not presented as realistically achievable: the informant acknowledges that "we never get to 100% with almost anyone" (INT1, 28:53).

Visual control is complemented by numerical monitoring. The international franchising office tracks the stores' KPIs – such as "the average transaction value, the average price, the conversion rate" – which in the operational informant words "already tells us a great deal about what is happening in the store" (INT1, 25:02). When these indicators worsen, they provide a signal for further investigation.

Monitoring is tied to a diagnostic and corrective loop. When the KPIs signal trouble – "footfall collapses, they are not converting, or they are selling at a very low average price" (INT1, 25:02) – the office investigates what is happening in the store, weighing, for instance, whether "the store [is] not being very attractive, or no recall activities have been carried out" (INT1, 25:49). The response is adapted to the problem identified. For example, in the season discussed by the operational informant, styling sessions were organised in almost every city to address low footfall, producing positive results (INT1, 26:32).

The strategic interview shows a similar monitoring logic in the affiliation mode. Given that the monthly earnings are shared between Liu Jo and the affiliate, delays in remitting the company's share become visible within a short period. The initial response is to investigate the problem's cause rather than immediately impose a contractual sanction:

> we have to concern ourselves with understanding why this is happening. […] by the second month of delay on our share of the takings, we raise our hand and say: listen, besides having gone into breach of contract, something is not right here; what is happening? (INT2, 21:54).

Where the problem persists, the relationship may ultimately lead to a change in mode. In Vienna, for example, Liu Jo shifted from affiliation to direct operation (INT2, 21:54).

Buying is the clearest instance of ongoing control exercised within the partner's formal autonomy: the threshold described in 5.2.1 sets what the assortment should look like, and the sales campaign is where it is applied. The franchisee purchases the merchandise, retains the stock and is credited with knowledge of the local market and customer, so the company allows autonomy in product selection (INT1, 54:59). Still, the seasonal selection is not left unattended: the Retail Manager attends the buying meeting "to understand what the necessary adjustments may be and to share them with the clients [franchised partners]" (INT1, 13:51), and requests for adaption are accommodated when they are supported by market-based evidence. The operational informant describes the approach as persuasive rather than directive: when an item is identified as fundamental, the partner accepts the advice "nine times out of ten" (INT1, 54:59). This autonomy nonetheless has a limit. According to the informant, an order that departs completely from the company's buying logic is not accepted (INT1, 51:47). The buying process therefore combines partner discretion with active guidance and a final boundary set by the company.

The end of the season runs in the opposite direction. Although the franchisee owns the stock, the markdown policy is set centrally on the same terms as for directly operated stores. Buyers select the models for the mid-season sales from monobrand stock levels and expected clearance potential, and the retail division sets the reduction (INT1, 57:25). Markets are grouped into four or five sale calendars to which every country tries to adapt (INT1, 57:25). Owning the stock therefore does not give the franchisee control over how it is cleared out.

5.2.3 Incentive alignment through mutual profitability and capability building

The third family of mechanisms seeks to align the partner's interests with those of the company by supporting partner profitability and strengthening the partner's ability to run the business. Profitability is presented as a basic condition for the durability of the relationship: "clients have to make money […] if a monobrand partner has a business that is not making money […] it cannot last over time, so […] we have to intervene with some support" (INT1, 04:39). This concern is not limited to underperforming partners; according to the operational informant, even profitable clients are encouraged to improve their results further (INT1, 04:39).

Many European partners also benefit from a contractual return allowance, referred to internally as the "SWAP" condition, which permits the return of unsold merchandise between

5% and 20% (INT1, 37:40-38:34, 44:53-47:00). The company may also provide support beyond the contractual allowance but does so selectively after examining the partner's overall profit-and-loss position (INT1, 38:57). Production planning provides an additional form of risk support: the company staggers production "in a somewhat patchy way to reduce risk and to give the possibility of replenishment across all product categories" (INT1, 47:00). Although the operating loss of a franchised store formally remains with the franchisee (INT1, 65:35), these mechanisms allow Liu Jo to absorb or mitigate part of the partner's commercial risk.

The return mechanism needs closer examination, because it shows how support is provided selectively rather than automatically. During particularly difficult seasons, partners may request an additional take-back beyond the contractual allowance (INT1, 37:40). Returned goods are repurchased at the price originally paid by the partner (INT1, 38:34), but additional takeback is granted only after considering the partner's overall financial position. Where the intervention is considered necessary for the partner's viability, the company may accept an additional return:

> For those for whom it's vital, essential – and looking precisely at the complete picture of the income statement […] we take back an extra 5%, so he manages to pay us for the new merchandise […], he starts the season right away at full prices, maybe he gets back on his feet right away. (INT1, 38:57).

By contrast, support may be refused when the partner has other alternative channels of disposal, as the operational informant states that "it's not that this is a moment for charity" (INT1, 38:57).

A similar selective logic applies to replenishment. Partners commonly report difficulty in obtaining their bestsellers when reordering (INT1, 44:53). The operational informant explains that bestsellers tend to perform well across markets and cannot be accurately predicted six months in advance (INT1, 47:00). Moreover, the company deliberately avoids maintaining enough stock to satisfy every possible reorder, because this would discourage partners "from placing a complete order during the sales campaign" (INT1, 47:00). Support for partner profitability is therefore combined with limits intended to preserve the partner's responsibility for its initial decisions.

The strategic interview shows the same alignment logic built into contract design itself, most clearly in affiliation. There, the firm absorbs the partner's main seasonal risk: "we take back the unsold stock. You know, it is a great advantage, because for retailers unsold stock is quite a burden on the economics of the season" (INT2, 15:10). Because the merchandise

remains the firm's property, Liu Jo also retains greater influence over buying and store management:

> we can intervene a great deal in the purchase; we practically guide the orders ourselves. We can intervene a great deal in the management of the store because the merchandise is our property (INT2, 20:52).

Some affiliates simply delegate: they "trust the work we do […] making it work means making it work for both parties, not only respecting the brand but, in the end, having more turnover to divide between us" (INT2, 20:52). This trust is supported by the firm's ability to transfer "all the best practices that come from managing a network of 250 stores" from one location to another (INT2, 20:52)[5]. The contractual structure also excludes royalty payments. According to the strategic informant, Liu Jo does not charge a royalty because this is not a standard practice in the premium segment, which she contrasts with luxury brands that provide franchisees with continuous corporate brand promotion (INT2, 26:19).

Alignment also operates through capability building. Liu Jo supports store staff through training and Academy materials covering service, product knowledge, colour combinations and body shapes (INT1, 15:07), so that sales staff can "guide the customer and be almost a consultant" (INT1, 15:07). The operational informant contrasts this approach with mass-market retailers:

> the business model of our stores has as its soul the desire to provide consultancy, contrary to what happens in all the business models that are predominating today, Zara, Stradivarius, Mango […] [where] service does not exist (INT1, 15:07).

Once a season, shop managers and field coordinators are also invited to headquarters to develop knowledge of the new collection, reinforce the expected service style and practise combining full-price and sale merchandise (INT1, 16:09).

The support provided to partners is intentionally not fully standardised. According to the operational informant, the work is "always different" because "every market is a case in itself, every city is a case in itself" (INT1, 07:15). Hence, training and in-season interventions are adapted to the specific needs of each store: some teams may have extensive sales experience but need greater assistance in areas such as analysis, numbers or organisation (INT1, 17:12). The company additionally works to increase partners' awareness of their own performance

[5] The figure is the informant's own, offered in passing rather than as a reported count. The company's stated figures for the current period are 283 own-brand boutiques, of which 91 are DOS (see 4.4); the two are reported as stated by their respective sources rather than reconciled. Nothing in the analysis depends on the precise count.

indicators and of the areas in which improvement is possible (INT1, 06:36). This does not contradict the central standardisation described in the first dimension. The brand standards remain common across markets, while the support provided is adapted to the partner's specific capabilities and areas of improvement.

5.2.4 Managing residual tension: negotiated tolerance and bounded adaptation

The fourth dimension concerns how Liu Jo manages the tensions that remain despite codification, monitoring, and alignment. These tensions are treated as a recurring feature of the franchising relationship rather than as exceptional failures and are managed through negotiation within clearly defined limits. The most frequent dispute is over positioning: the firm asks for "a very premium […] high positioning" while the partner protests that "for my market it's too high, because the customer feels intimidated […] I want to make her feel that I'm more commercial, so I have to put more merchandise in the window or on display" (INT1, 30:10). In smaller, more provincial locations, partners may favour denser displays because stores are smaller and a more commercial presentation is considered better suited to the local market (INT1, 28:53).

Other recurring areas of disagreement concern product assortment and commercial conditions. Partners may request a higher quantity of a certain item, better return conditions, or greater freedom in local communication (INT1, 33:24, 35:31, 37:40). For example, requests for greater liberty on social media are refused in order to maintain a consistent positioning of the brand (INT1, 35:31). Partners have also expressed dissatisfaction with the withdrawal of small company-funded local communication budgets. The operational informant notes that these budgets were previously used for store-level events, whereas the current approach favours one or two larger events per season (INT1, 36:01).

These disagreements are generally managed through continuous negotiation:

> there's always the negotiation over where it makes sense to go to the maximum commercial level, and where instead we have to hold the line, because it's an important market […] so there's always an exchange between the parties, and full one hundred percent satisfaction with the franchising partner […] you never have it […] this is a bit of a game where each side plays its part (INT1, 30:10).

The company is selective about where strict alignment is necessary: "it doesn't make sense to argue constantly over two extra garments on the rail, especially if the other competitors do the same" (INT1, 31:15). Small deviations are tolerated when they do not materially affect the

brand image, and the informant acknowledges that such anomalies exist “almost everywhere” (INT1, 28:16). However, the tolerance has a clear limit: where the brand image becomes “completely distorted and penalising”, the company would rather close the store and give up the associated turnover than accept the deviation (INT1, 28:16).

A recurrent area of negotiation concerns the seasonal assortment. Every season, some partners complain that a particular colour or product category is insufficiently represented by volume (INT1, 32:29), and in recent seasons the most widespread complaint has concerned the reduced presence of dresses compared to previous collections (INT1, 33:24). Rather than simply accepting or rejecting these requests, the operational informant describes a process of reasoning with partners based on broader sales trends. The collections remain extensive, and “in the many years I’ve been working here it has really happened a handful of times that a client struggled to reach their buying budget due to a real lack of product” (INT1, 32:29). In the case of dresses, the informant explains that their previous weight had usually been high, but the current demand trends justify a lower share (INT1, 33:24). The company therefore does not reduce the overall breadth of the collection but adjusts the weight of individual categories according to global sales trends, while also allowing partners to give greater weight to categories in which they have strong local confidence (INT1, 33:24).

That same boundary applies to local adaptation: adjustments are accepted where they remain compatible with the brand’s identity but rejected when they would require the brand to become something fundamentally different. For example, some of the firm’s strongest denim styles are produced in two lengths to accommodate taller markets (INT1, 40:34). Similarly, as its presence in the Middle East has grown, the company has introduced more long-sleeved styles and longer dresses, and adapted campaign imagery where its traditionally feminine and revealing communication would be culturally inappropriate or subject to legal restrictions (INT1, 41:15). Beyond this boundary, however, the position is clear:

> we will never make a style, a product […] that is light-years away from our DNA. We cannot become what we are not, so we can modify the garment […] but we do not make ad hoc garments for you (INT1, 42:53), [because] it is you, the client, who has to adapt to our collection […] not us creating a collection for you (INT1, 42:53).

Hence, the distinction is not between adaptation and non-adaptation, but between modifications that preserve the existing brand offer and requests that would require the company to create a different product. This boundary helps explain the calibrated character of the wider control system: local variation is permitted within centrally defined limits, whether

in assortment, store execution or product adaptation; whereas elements considered fundamental to the brand remain non-negotiable.

Taken together, the four families provide an empirical answer to the second research question. Liu Jo mitigates the franchisor-franchisee principal-agent problem and maintains brand coherence through four families of mechanisms: ex-ante codification of the brand package; ongoing monitoring, diagnosis and persuasion; support for partner profitability and capability building; and the negotiated management of residual tensions within non-negotiable brand boundaries – together with the partner screening that precedes them and that, in the wholesale channel, is the only one of them in use. The evidence suggests that these mechanisms achieve substantial, but not complete, partner adherence, which appears as the maintenance of recognisable brand standards alongside controlled local variation. This evaluation remains based on the two informants' franchisor-side perspective.

6 Discussion

Chapter 5 presented the findings addressing the two research questions. For mode choice, the findings showed a two-level decision structure separating market prioritisation from local-level mode assignment. For brand control, they identified a system of four families of mechanisms: ex-ante codification, monitoring and persuasion, incentive alignment, and negotiated tolerance, together with the partner selection that precedes them. This chapter interprets those findings considering the three debates developed in Chapter 2. Section 6.1 draws the findings together into a single framework of calibrated control. Section 6.2 sets the framework against the agency and resource scarcity explanations of franchising; Section 6.3 against the process and economic traditions of entry-mode choice; and Section 6.4 against the standardisation-adaptation problem. The chapter does not introduce new evidence.

6.1 A framework of calibrated control

The main insight emerging from the findings is that Liu Jo sustains a franchised international network by controlling partner discretion instead of eliminating it. International franchising involves two requirements that cannot be handled through uniformity alone. The franchisor must preserve the integrity and identity of the brand, which requires control over independent partners. At the same time, partners contribute local knowledge and bear the economic risk of operating the business, which gives them incentives to adapt the offer to their own market. Eliminating partner discretion would reduce local knowledge and capital which are the basis for franchising, while leaving it unrestricted could weaken brand coherence. Thus, the findings describe that Liu Jo manages this tension through a calibrated control system, by distinguishing between decisions that need to remain aligned with the brand and areas in which local variation can be accepted without compromising the brand core.

The four families of mechanisms examined in Chapter 5 constitute a system because they operate at different stages of the franchise relationship. The system is entered through screening. Before any of the four families applies, the firm selects the partner on ranked criteria: operating experience in the trade first, then financial reliability and understanding of the brand. This removes in advance part of the discretion the later mechanisms would otherwise have to govern. Ex-ante codification defines the store concept, the communication, and 70% of the assortment centrally. After delegation, monitoring, used to observe how the partner operates, becomes more intensive when the strategic or reputational importance of the location increases, while persuasion is exerted through advice. As a form of alignment, Liu Jo also provides

commercial support when partner profitability is at risk, and it builds the partner's retail capability through training in product knowledge and in the style of service the brand expects. Finally, the remaining differences are handled through negotiated tolerance: deviation is not treated as a failure of control, but as a fixed characteristic of the relationship, and it is accepted as long as it does not affect the brand core. The 70/30 assortment principle illustrates this logic. Roughly 30% of the assortment is left to local judgement, but that discretion is bounded by the 70% that remains centrally fixed.

Governance is organised on three levels. At the first level, Liu Jo determines which markets to prioritise for development based on their prospective role in the firm's international expansion. At the second, the decision concerns the individual location, where economic sustainability is the criterion for choosing between direct operation and franchising – specifically whether the location's value chain can sustain the margin of an intermediary. At the third, once responsibility has been delegated, it is determined how much discretion the partner may exercise and its limit. The first two levels concern mode choice; the third concerns how the chosen mode is managed in practice. As a result, the framework combines mode choice and post-entry control: governance mode defines how ownership, capital commitment and decision rights are allocated, while post-entry control defines how much partner discretion is acceptable and how deviations are managed. Importantly, the contractual form does not fix control intensity on its own. Chapter 5 showed that the same franchise relationship is governed differently across markets: where a market is more important to the firm, it maintains presentation standards that it may relax elsewhere; support is adjusted to each partner's capabilities, and the room left by the assortment threshold is negotiated anew for each campaign. Control intensity depends on the mode selected as well as on the conditions of the location and the partner.

Calibrated control is advanced here as a description of what this case shows rather than as a claim about franchising in general. How the framework stands against the theoretical positions surveyed in Chapter 2 is the subject of the following sections.

6.2 Calibrated control and agency theory

Liu Jo's use of franchising can be understood through both resource scarcity and agency theory. The resource scarcity argument states that franchisors turn to partners for resources they do not hold, such as capital, managerial capacity and local market knowledge (Oxenfeldt & Kelly, 1968-1969). It is shown by the operational interview: the partner bears staff and rental costs

and may ultimately carry the outlet's loss, allowing Liu Jo to expand without committing the same level of capital and operating resources required by direct operation (INT1, 65:35), and the partner is valued for knowing the local market better than the franchisor (INT2, 11:03). The exchange runs in both directions. Liu Jo supplies the partner with retail capability, a resource that the partner does not retain. Store staff are trained through Academy materials in product knowledge and in consultative retailing (INT1, 15:07). Because the manner of selling is itself part of the brand, this training is more than support to a weaker partner. It transfers an aspect of the brand that cannot be fully specified and must instead be learned by store staff. This qualifies the resource-scarcity account. In Oxenfeldt and Kelly's (1968-1969) formulation, scarcity is a condition of the franchisor that maturity progressively removes, after which the rationale for delegation weakens. Here, however, the situation is different. In a distant market, Liu Jo continues to lack local market knowledge, while providing the partner with retail capability season after season. The exchange is continuous in both directions and helps explain the stability of the mix reported in 6.3.2.

As for agency theory, the partner bears the operating result of the store, including its loss (INT1, 65:35). This is in accordance with the theory: franchisees have stronger incentives to invest effort when they benefit directly from the store profits (Jensen & Meckling, 1976; Eisenhardt, 1989a; Lafontaine, 1992; Norton, 1988). Agency considerations arise before the contract is signed, particularly in the candidate's evaluation. Because a potential partner's competence and intentions cannot be fully evaluated in advance, Liu Jo seeks to reduce the risk of selecting a partner who later may be costly to govern. The strategic account indicates that this involves an examination of the applicant's operating experience, financial reliability, and a common view of the brand (INT2, 23:31). The first two criteria figure in the selection literature, though Clarkin and Swavely (2006) find franchisors rate them below the candidate's personal characteristics. The third criterion, a shared view of the brand, is one of the kind that Calderon-Monge et al. (2021) place above all others in their proposed selection model.

The fee structure of the contract adds a further point. Liu Jo charges no royalty (INT2, 26:19), which the strategic informant presents as a characteristic of the premium segment rather than an absence of economic value transferred to the franchisor. Franchise theory notes that, where the franchisor supplies the product, returns may be linked to product transactions or transfer prices (Blair & Lafontaine, 2005). However, the interviews do not establish whether this is how Liu Jo captures its return, so no stronger inference can be made. The evidence

therefore points more clearly to partner screening before contracting and to behavioural and economic governance after contracting than to the royalty as a central control mechanism.

Once the outlet has been delegated, the agency problem changes. When a franchisee departs from the brand's commercial logic, it benefits locally from it, but the resulting damage to brand coherence is shared by the whole network. This is the free-riding problem identified by Brickley and Dark (1987), and it explains why the franchisor needs a set of mechanisms to limit divergence after delegation. Liu Jo does not have direct managerial authority over the partner: it cannot force a partner to make specific purchases and therefore the company relies largely on persuasion. The company nonetheless holds one important safeguard: an order that departs entirely from the buying logic can be refused (INT1, 51:47, 54:59). Control is therefore based mainly on influence rather than direct command, with the order itself providing a final boundary. This is consistent with research showing that international retail franchisors use mechanisms beyond formal contractual authority to govern distant partners (Doherty, 2009; Altinay & Brookes, 2012).

Risk is only partially transferred to the franchisee. Although the partner formally bears the commercial downside, it is Liu Jo that reabsorbs part of that risk when partner profitability, and therefore the sustainability of the relationship, is threatened. Particularly, the firm takes back a part of the unsold merchandise, preserving the liquidity the partner needs to pay for the incoming season (INT1, 38:57). Risk therefore remains primarily with the franchisee, but it is not transferred once and for all. This only partially fits the residual-claimant logic on which the incentive argument above rests. The takeback is both contractual and discretionary: the ordinary return allowance is specified ex ante, whereas additional takebacks are negotiated selectively when the partner's economic viability requires them.

Liu Jo uses supply availability to influence partner behaviour. The company deliberately limits replenishment so that partners are encouraged to place a sufficiently complete initial campaign order (INT1, 47:00). The incentive comes from the organisation of supply rather than from the financial terms of the contract. This differs from the fee- and royalty-based mechanisms discussed by Lafontaine (1992). At the same time, it creates a different risk allocation from the one described above: limited replenishment leaves more risk with the partner, whereas takebacks can shift part of that risk back to Liu Jo. The two practices show that risk is not fixed at the moment of contracting. It can move between the partner and the franchisor as the relationship develops.

These findings suggest that Liu Jo's use of franchising cannot be explained by a single agency mechanism or motivation (Combs et al., 2004; Dant et al., 2011). Resource sharing, partner incentives, selection, persuasion, and the redistribution of risk all play a role at different stages of the relationship. The implication for this study is that the question shifts from why Liu Jo franchises, to how it manages the hybrid – the problem that the calibrated-control framework addresses. The next section considers the same issue from the perspective of entry-mode.

6.3 Governance modes: entry-mode economics and the plural form

The location-level component of the answer to the first research question relates to the economic tradition on entry-mode choice. The strategic interview identifies the criterion Liu Jo uses – the location's value chain can sustain the margin of an intermediary (INT2, 11:03) – and the operational interview explains the economics of the channels involved. Together, the two accounts explain how Liu Jo makes this choice.

6.3.1 The location-level economic rule

Concerning the choice of entry mode at location level, a transaction-cost perspective would predict greater internalisation where brand assets are particularly exposed to governance hazards (Anderson & Gatignon, 1986), while Dunning's (1988) ownership-advantage logic likewise highlights the strategic value of the brand itself. In brand-led retailing, the brand is the key asset, and the store is where it is most exposed. From this perspective, ownership would appear to be the expected solution, yet Liu Jo adopts franchising on a large scale. The pattern is not limited to this case: Kayed et al. (2025) find that franchise systems with stronger brand equity integrate less, though the effect is weaker in retail-focused and internationally present systems. The findings help explain this apparent contradiction in two ways. First, the calibrated-control framework suggests that Liu Jo can retain some of the control normally associated with ownership through contractual and relational means. This allows the firm to delegate monobrand retailing without relinquishing control over the brand core. Second, direct ownership is used where two conditions coincide: brand visibility high enough that the location's presentation carries consequences for the network as a whole, and an economic structure that Liu Jo considers sustainable only through direct operation. In every location described in the interviews, the two conditions co-occur, so the evidence does not establish whether either alone would be sufficient. That Liu Jo chooses franchising outside these

conditions reveals the firm's own judgement that delegation is less costly than ownership in those locations; it does not, by itself, demonstrate that this judgement is economically optimal.

The economic condition emerges from the strategic interview's discussion of key money. Entering a prime fashion street requires a substantial investment in location goodwill and a time-limited franchise contract does not provide sufficient time to justify it. Direct operation allows the firm to retain the location for longer and potentially capture any increase in its resale value (INT2, 08:04). The investment, however, is specific to the location, but not necessarily to the relationship between Liu Jo and a particular franchisee: its value remains attached to the location and may be transferable to the succeeding retailer. Therefore, the main economic problem is not appropriation between the parties: the quasi-rent at stake is small, since the site keeps much of its value for whoever comes next (Klein et al., 1978). It is rather that the franchise contract may expire before the investment in the location has paid for itself. This is the governance issue discussed in Chapter 2, which notes that the retail asset retains its value beyond the life of the contract. Direct operation avoids that risk and hence helps explain why it is preferred in tier-1 locations.

The visibility condition can also be understood through agency theory. Brickley and Dark (1987) find that company ownership concentrates where customers are transient and where deterioration in outlet quality can impose costs on the wider brand, whereas franchising is implemented where a local partner's incentives substitute for costly direct monitoring. Liu Jo applies this ownership pattern to its tier-1 cities: international crossroads of fashion traffic are directly operated, without exception (INT2, 11:03). The company also links this rule to brand externalities: travelling customers should encounter the same brand "language" in Dubai, Milan, Casablanca or Aversa (INT1, 19:59). Read against Brickley and Dark, this logic has a negative counterpart the informant does not state: if recognition travels, so does its failure, and one mistake in one location is borne by the brand elsewhere. By contrast, second-tier locations can be entrusted to partners whose knowledge of the local country or location outruns the firm's own (INT2, 11:03). Hence the tier distinction synthesises these two logics: direct ownership protects the brand where the external consequences of local execution are greatest, while franchising makes use of local knowledge where direct control creates less additional value.

6.3.2 The plural form: an extended repertoire of modes

The four-mode repertoire of Liu Jo aligns with the plural-form literature. Bradach's (1997) account of company-owned and franchised units as complementary forms is reflected in Liu

Jo's use of the directly operated network as a benchmark, with roughly 70% of the franchise assortment required to reflect it (INT1, 11:49). Cliquet's (2000) argument that the mix of governance forms can change over time is also in line with the case. Vienna provides direct evidence of mode switching, with an affiliation being taken into direct operation (INT2, 21:54), while the pre-written Saudi buy-back shows that future switching can also be anticipated contractually.

Affiliation adds a fourth mode to the mix. Under this arrangement, Liu Jo retains ownership of the merchandise and absorbs the risk of unsold stock, while the local partner provides the premises, pays rent and staff, and receives a share of monthly takings according to a formula derived from a simulated store profit-and-loss account (INT2, 15:10). Contractually, the arrangement is a consignment with revenue sharing, in which the supplier retains inventory ownership and bears the associated stock risk (Wang et al., 2004; Cachon & Lariviere, 2005). The evidence does not establish which party ultimately holds every pricing right, and this limits a complete contractual classification. It does, however, show that individual decision rights do not necessarily follow merchandise ownership. For example, markdown policy remains centrally coordinated even in the franchise channel where the partner owns the stock. Therefore, the four governance modes – DOS, franchising, wholesale, affiliation – differ in how they combine ownership, risk, capital commitment and decision rights. In retail format terms, affiliation also resembles aspects of the store-within-a-store concession, where the brand retains substantial control over merchandise and management while operating through another party's retail infrastructure (Jerath & Zhang, 2010). Liu Jo operates concessions within department stores, as reported in Section 4.4.3, but they do not belong to the analysed repertoire because the counterparty is a host retailer, therefore the agency problems that RQ2 raises do not occur in the same way. Instead, affiliation transfers part of the concession's ownership logic into the monobrand network.

The coexistence of affiliation and wholesale does not indicate that the network is gradually moving towards direct ownership, as the ownership-redirection prediction would suggest. Oxenfeldt and Kelly (1968-1969) anticipated, through with declared reservations of their own, that successful systems would converge on direct ownership once the founding scarcity was removed. The conversion in Vienna moves in that direction, but it concerns only one location. At network level, Liu Jo continues to franchise and to sell wholesale on a large scale, so the overall mix remains stable even when individual units change mode. This is in line with the plural-form literature: in Bradach's (1997) study, four of the five chains studied had operated

plural forms for over a decade and had maintained roughly the same mix throughout; Cliquet (2000) reports that the predicted return to wholly owned systems was not observed in any of the three sectors surveyed. The present case extends the literature from the coexistence of two forms to four. Calibrated control accounts for how arrangements such as wholesale and direct operations coexist under the same brand. The level of control varies across the different modes depending on what the firm needs to protect in each outlet. Wholesale represents the lowest level of control. It is the firm's largest channel by number of points of sale, but the products are sold through outlets that the firm does not own. For this reason, control mainly takes place through the screening of partners before the relationship begins. Screening can be applied without maintaining an ongoing relationship with every partner, making it suitable for a channel of this size.

The entry barriers encountered in Saudi Arabia – state-bank deposit and local-employment obligations – led the firm to switch from its preferred mode of direct entry to a master franchise with a wholly local partner (INT2, 12:23, 15:10). This follows the central proposition of the institution-based view that in the presence of institutional constraints, entry proceeds through partner-based, lower-equity modes (Meyer et al., 2009; Brouthers, 2002). Master franchising is preferred precisely where bilateral investments are substantial and institutional and behavioural uncertainty is high (Jell-Ojobor et al., 2022). This creates an important tension in the case: Saudi Arabia is a market where Liu Jo preferred direct control, yet institutional constraints forced it to adjust. Despite this, a single case cannot establish the relation between institutional distance and entry mode, which the meta-analysis evidence documents with variation across measures and contexts (Zhang et al., 2023).

What the case adds is the way the contract is designed to preserve future flexibility. The buy-back option, defined at signing, allows Liu Jo to internalise the business if circumstances later change (INT2, 15:10). Because the mode was adopted under constraint rather than chosen, the firm has an interest in being able to reverse it, and the buy-back clause is what keeps that possibility open. Contractual options of this kind can preserve future flexibility and are particularly valuable under uncertainty (Hajdini & Windsperger, 2020). At network level, these contractual provisions may preserve several future strategic options for the firm (Trigeorgis & Miller, 2025).

The study captures only one actual mode switch in Vienna, and one possible future switch in Saudi Arabia. Thus, it cannot trace the longer sequences of entry, conversion and exit

examined in the retail-internationalisation literature (Dawson, 1994; Burt et al., 2002). This limits the analysis over time, but not the two-level decision architecture identified in the case.

6.3.3 Market selection as a distinct decision

Liu Jo uses a deliberate and centralised process to select international markets. International development is treated as an investment from the outset, and resources are allocated selectively (INT2, 05:18). The criteria used in this process also connect with different strands of the internationalisation literature. Product fit reflects a form of psychic distance operating at the level of the product (Evans & Bridson, 2005): markets whose tastes and fit requirements would necessitate a dedicated collection are deferred (INT2, 03:07). Endorsement value captures the credibility that presence in one market can give Liu Jo in others. For instance, the United Kingdom is valued for its own revenue generated there, as well as for the credibility it may lend in markets that treat it as a reference point, such as India (INT2, 03:07). Similarly, the Uppsala model's reformulation, where the entrant's problem is not cultural distance per se but integration into local networks (Johanson & Vahlne, 2009), corresponds to the value attributed to a partner whose knowledge of the country exceeds the firm's own (INT2, 11:03).

These findings support the idea that market selection and entry-mode choice are two distinct decisions, which is what the market-selection literature has lately insisted on (Francioni & Martín Martín, 2024). The reluctance to enter markets requiring a dedicated collection shows this: adaptation costs are weighted before entry rather than absorbed after it. In Liu Jo's case, markets are first prioritised strategically, and governance mode is selected afterwards at a location level according to its economics. The resulting internationalisation process is gradual, but the mechanism differs from the one proposed by Johanson and Vahlne (1977). Commitment does not increase simply as the firm gains experience. Instead, Liu Jo first allocates resources across a ranked set of markets and then selects the appropriate governance mode at location level.

6.4 Brand coherence: the standardisation-adaptation debate

The 70/30 assortment rule provides a concrete example of how Liu Jo manages the tension between standardisation and adaptation. The case falls between full standardisation and full adaptation (Levitt, 1983; Aaker & Joachimsthaler, 1999; Theodosiou & Leonidou, 2003; Ghemawat, 2003; Brouthers et al., 2025). Bai et al. (2022) document a pattern in which the standardised core is combined with a localised margin in luxury fashion retailing in China. The

contribution here is to observe the same pattern across a network of independent partners rather than within company-controlled operations.

The case first raises a question about what is standardised. At first, the firm's account appears contradictory. Communication is described as identical worldwide with five or six institutional images per season made available to all partners for local initiatives (INT1, 18:07); yet campaign imagery in the Middle East is adapted due to the brand's feminine and revealing style, which would be culturally inappropriate or legally restricted (INT1, 41:15). The apparent contradiction disappears once the object of standardisation is identified more precisely: what is held constant is the system of a small number of centrally approved images, not the images themselves. Moreover, the system's boundaries are visible in what it excludes. Previously, partners invested independently in magazine pages or billboards; after posting imagery that was inconsistent with the brand's positioning, partners were prevented from using the brand on Instagram (INT1, 18:07, 18:58). The response was systematic: social media communication was centralised under the company's global accounts, while local initiatives were restricted to centrally approved material (INT1, 18:58, 19:59). In this sense, Liu Jo standardises the control mechanisms, while allowing some adaptation in content. Kerfoot et al. (2003) make a comparable argument about visual merchandising, which they show can render a retail brand discernible to customers; communication in this case works the same way. Their focus is on the effect of visual merchandising on consumers. In the franchised network, however, it also serves another function: helping the franchisor maintain consistency across stores it does not own.

A second issue concerns how much variation is left to the partner. According to the 70/30 assortment rule, roughly 70% of a partner's assortment should reflect the selection made for the directly operated stores (INT1, 11:49), and the remaining 30% is deliberately left to the partner based on their knowledge of the local market. The residual 30% is therefore an allocation of decision rights, and not a negotiated concession, resting on the same local-knowledge argument that second-tier cities are franchised. The allocation of decision rights over value-chain activities is a governance choice rather than a fixed feature of franchising (Pajić et al. 2025); what this case adds is an allocation over assortment, expressed numerically. Such an adaptation is justified in terms of performance (INT1, 12:50): Liu Jo accepts some loss of uniformity in exchange for better local fit. The 70/30 rule is not described as a formal command, but the phrase "strongly suggested, not to say imposed" (INT1, 12:08) makes clear that it operates as a strong practical constraint. This places the assortment rule within the same

logic as the rest of the control system: compliance is strongly expected even when it is not enforced through direct command.

The case places a clear limit on adaptation, shifting the question from how much adaptation is allowed to what type of adaptation is acceptable. Liu Jo addresses this through a clear firm-level rule. Garments already in the collection can be modified – a higher neckline, a longer sleeve – but no new items are created to be ordered, and it is the partner who adapts to the collection and not the reverse (INT1, 42:53). The firm will not create a product specifically for a request that falls outside the brand's identity (INT1, 42:53). The limit of adaptation is therefore defined by brand identity rather than by the partner's preferences: the brand has a core that cannot be renegotiated store by store (Kapferer, 2012). When adaptation is imposed from outside, the same rule is applied; for instance, in the Middle East, the company has introduced more long-sleeved styles and longer dresses (INT1, 41:15). Such modifications are made from an existing offer, not a separate one, and they usually respond to legal restrictions or cultural sanctions rather than to commercial preferences. When an adjustment is required by the law of the host country, it does not collide with the brand's own limits: a longer sleeve or a covered-up campaign image is a modification of an existing garment or shot, which the firm's rule already permits. The distinction between modification and origination turns the boundary into a rule that can be applied. Liu Jo does not need to decide in each case how much adaptation is too much: existing products might be modified, whereas products created specifically for a partner are refused, whatever their commercial appeal.

This rule relates to the brand-integrity concern discussed in the fashion literature (Moore et al., 2000). Chapter 2 noted that scholarship regarding how fashion brands should approach Middle Eastern markets remains at an early stage (Ramadan & Nsouli, 2022). That observation refers to the consumer side. The present case adds the franchisor-side perspective: Liu Jo deals with these markets not through market-specific designs, but by treating the required adjustments as modifications, admissible on the same terms as any other.

Negotiation operates between the codified core and the final boundary. Disagreement is treated as a normal part of the relationship where complete satisfaction is difficult to reach. The company chooses carefully where to insist. It tolerates minor deviations, such as a few extra garments on a rail, but it does not allow changes that would undermine the brand's positioning, such as greater freedom on social media (INT1, 31:15, 35:31). Indeed, this tolerance has a limit: if the brand image became seriously distorted, the company would rather close the store and lose the related revenue than accept the deviation (INT1, 28:16). The same pattern

identified in Section 6.2 concerning the buying relationship reappears here: most disagreements are managed through persuasion and negotiation, and the final boundary on the partner's freedom is set by a strong sanction that is rarely used. Store closure plays this role for brand presentation, just as refusal of a divergent order does for buying (INT1, 51:47).

The second part of RQ2 asks how effectively these mechanisms maintain brand coherence and the evidence suggests that the system is broadly effective, but it does not prevent all deviations. According to the operational informant, around 70% of franchised orders follow the central selection (INT1, 56:47), and advice on issues considered fundamental is accepted in nine cases out of ten (INT1, 54:59). At the same time, the informant acknowledges that deviations occur in almost every market and that full alignment is never achieved (INT1, 28:16, 30:10). This supports the idea of calibrated control, which is designed to tolerate some variation rather than eliminate it entirely. This assessment has two limitations. First, the evidence comes only from the franchisor, so the partner's perspective is not captured. Second, the informant describes the centralised communication approach as common practice among brands. Since the study does not compare Liu Jo with other brands, it cannot establish whether this mechanism is distinctive to the company.

Overall, the case shows that Liu Jo manages the standardisation-adaptation tension through three separate decisions: what must remain standardised, how much local variation is permitted and why, and which forms of variation are unacceptable and by what means that limit is enforced. In short, the balance between standardisation and adaptation is not fixed, but depends on the type and purpose of the adaptation.

6.5 Contribution and scope of the framework

The theoretical contribution of this study does not lie in identifying a new mechanism. Codification, monitoring, incentive alignment and negotiated tolerance, together with the partner selection that precedes them, are already established in the literature reviewed above. Maček et al. (2019) provide a close comparison: they interview fashion franchisors in an adjacent segment, who use brand books, seasonal in-store training, photographic and sales reporting, store visits and ongoing relationship management to implement brand standards. Their study treats brand standards as given and their uneven application as a problem that can be solved through greater standardisation. The present study instead focuses on where adaptation is allowed to stop. One contribution is to show how these mechanisms are coordinated around a defined tolerance for deviation. The 70/30 assortment rule makes this

tolerance visible in numerical terms. Monitoring intensity varies according to the importance of the location, while the brand-DNA boundary sets a final limit on adaptation. A second contribution concerns the two-level decision structure: markets are first selected in relation to their scale, fit, and endorsement value; entry mode is then chosen based on value-chain economics. The resulting repertoire includes DOS, franchising, wholesale, and affiliation, with contractual options preserving the possibility to switch modes over time. The allocation rule, however, governs only the choice between direct operation and franchising: the interviews do not supply a comparable criterion for the selection of wholesale over a monobrand format, or of affiliation over franchising.

Each of the three debates addressed in the chapter receives a specific contribution. For agency theory, the case shows that control is exercised without direct hierarchical command. Risk is also only partly transferred to the partner and can be selectively reabsorbed, while supply scarcity can work as an incentive for the partner (6.2). For entry-mode theory, the case identifies a location-level economic rule under which direct ownership is preferred when brand visibility is high, and the structure of the investment makes intermediation less suitable. The case also extends the analysed repertoire beyond the simple DOS-franchising distinction (6.3). For the standardisation-adaptation debate, the case highlights how a standardised core can be maintained across independent partners while still allowing bounded local variation (6.4).

The framework nevertheless has some limitations, three of which are particularly relevant here. The 70/30 rule should not be treated as a universal ratio: it reflects Liu Jo's governance needs, and firms operating in different segments or with different distribution structures may calibrate standardisation differently. The framework derives from the franchisor's perspective only, so the partner's experience of the same mechanisms – whether support is perceived as helpful or restrictive, and whether supply scarcity is experienced as an incentive or as a constraint – lies outside the evidence and could qualify the framework if examined directly. Finally, the compliance evidence reported above is that of the monobrand network and it does not extend to the wholesale channel, where control is mostly confined to pre-contractual screening.

Within these limits, the case brings together two issues that the literature often treats separately: the allocation of governance modes and the maintenance of brand coherence after delegation. The importance of a location to the brand affects both the choice of direct operation or delegation and the degree of control required when a partner is involved. Calibrated control is what connects those two issues. In practice, Liu Jo standardises the brand core, allows a

defined margin for local adaptation, and applies tighter control where brand visibility is higher. The central claim of the study is that Liu Jo's control practices work together as a system of calibrated control, rather than as separate mechanisms.

7 Conclusion

This thesis aimed to understand how a premium Italian fashion house reaches distant international markets with a single brand, particularly with stores it does not own. The study focused on Liu Jo, drawing on verified public sources and on interviews with two senior members of the firm: the Retail Manager responsible for its international franchising channel and the Export Sales Director. Two research questions organised the study. RQ1 asked how the firm chooses between directly operated stores, franchising, and wholesale in a given international market, and what drives that choice. RQ2 asked what mechanisms the firm uses to mitigate the franchisor-franchisee principal-agent problem, and how effective they are in maintaining brand coherence. This chapter gathers what the study found, states its contribution and limits, and sets out where the research can expand.

The first research question was answered as a two-level architecture. Markets are prioritised centrally and approached as investment decisions on three criteria: scale, the fit of the existing product, and a market's endorsement value for later entries. Within a selected market, each location is then assigned the mode its value chain can sustain – a discriminant the strategic informant states of the choice between direct operation and franchising. First-tier cities, the international crossroads of fashion traffic, are run directly, without exception; while second-tier cities are entrusted to partners whose knowledge of the country or the site outruns the firm's own.

The economic criterion is not the only determinant. Where institutional requirements foreclose direct entry, the mode is decided according to the conditions of access. Additionally, assignments of mode are reversible. What remains open is the process detail of an entry decision; the criteria for assigning a location to wholesale rather than a monobrand format, or to affiliation rather than franchising, which neither account supplies; and the partner's side of every mechanism described.

The answer to the second research question finds that Liu Jo governs its franchised network through four families of mechanism, all of them preceded by the screening of the partner: brand codification before delegation; monitoring and persuasion after it; support and incentive alignment to maintain partner viability; and continuous negotiation within the limit of brand identity. These mechanisms define the governance of the monobrand network, while in wholesale, control is largely limited to partner screening. The evidence is less conclusive on

effectiveness. Both interviews describe mechanisms intended to maintain brand coherence, but the evidence comes only from the franchisor's side.

Read together, the findings support the study's central claim: mode selection and brand control are linked to how important the brand is in a given location. The thesis describes the resulting system as calibrated control. Liu Jo does not seek to eliminate local adaptation; instead, it defines limits to adaptation and uses its governance mechanisms to maintain brand coherence within those limits. Hence the contribution is not the identification of new control mechanisms, but the way these mechanisms are combined around a defined degree of permitted adaptation. This is reflected in the assortment policy, in the different levels of monitoring across locations, and in the final limit set by the brand's identity. The case also shows a broader decision structure in which market selection precedes mode selection; a four-mode continuum in which each form is a different assignment of ownership, risk and decision rights; and contractual options that keep every assignment revisable.

The findings also contribute to the three literatures considered in the thesis. For agency theory, the case shows how control can be exercised without hierarchy, while some risks can be shared or reallocated between the firm and the partner. For entry-mode research, it shows that a directly operated store may be held at a lower return because its visibility serves the network, a value the transaction-cost calculus does not price. For the standardisation-adaptation debate, it shows how a firm can standardise the process used to protect coherence while allowing limited local adaptation. These contributions come from examining a premium fashion franchisor with a hybrid network from the franchisor's own perspective, an area that remains relatively underexplored.

These contributions are subject to important limitations. The evidence comes from two senior informants on the franchisor's side, with no partner perspective. The two accounts overlap on several mechanisms, but this provides only limited triangulation. Moreover, the transcription and translation of the interviews were verified only by the author and not by an independent reviewer. The study is therefore analytically generalisable: it develops propositions from a detailed single case. Its scope is also defined by Liu Jo's specific characteristics as a premium Italian brand rooted in the textile district.

For practice, the case suggests that a premium firm does not need to own its stores to maintain brand coherence abroad, as long as it has the right systems in place: a codified brand package, regular monitoring, support for partner economics and clear limits to local adaptation.

A firm that uses franchising only to reduce capital requirements, without building these systems, risks losing control over its brand. The right balance also depends on the position of the individual brand and should not be treated as a fixed ratio that other firms can copy.

Four directions follow from these limits. The first is the partner's perspective. Interviews with franchisees and affiliates could test whether the mechanisms described by the firm are experienced in the same way, for example as support or dependence, and as incentives or constraints. They would also provide the triangulation that a franchisor-side study could not offer. The second concerns the process behind entry decisions: who is involved, what information is considered, how long a market takes to move from the initial idea to the opening of a store, and the precise entry dates and modes for the markets the public record left undocumented, Greece, Saudi Arabia and Morocco among them. Further research could also examine the criterion used to assign a location to wholesale rather than to a monobrand format, which is not clear from the present evidence. The third concerns mechanisms that are supported by a single informant, especially the 70% assortment norm, which the buying department could confirm or challenge. Additional informants could also provide evidence of effectiveness beyond the firm's own account of compliance. Finally, future research could test whether calibrated control applies to other premium fashion firms, other national contexts and franchise systems outside fashion.

Liu Jo remains one brand from Carpi to the Gulf not because its network avoids difference, but because the firm has decided how much difference the brand can accommodate. Ownership is retained where visibility and economics point in the same direction: in first-tier locations, where the presentation of the brand matters for the wider network and the key money would be difficult for a fixed-term partner to bear. Elsewhere, the control provided by ownership is replaced by codification, monitoring, support, and a negotiated boundary. The thesis began with the brand as one of the most intangible and fragile assets of a fashion firm, and with the question of how the asset can be protected when it is placed in the hands of partners the firm does not directly control. The answer is not to eliminate variation, but to define its limits. What holds the brand together is a deliberate and continuously managed balance between consistency and local adaptation.

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Appendix A – Interview transcripts (bilingual)

The interviews were audio-recorded with consent. The transcript was edited and checked against the audio recording. Speakers are identified by role.

A.1 – First interview (operational level)

INT1 – Retail Manager, International Franchising Office, Liu Jo.

Time	Italiano	English
00:32	Descrivi il tuo ruolo e da quanto lavori nell'ufficio Franchising Estero presso Liu Jo?	Describe your role and how long you have been working in the International Franchising office at Liu Jo?
01:09	Il mio ruolo è Retail Manager, quindi come tu sai essere Retail Manager significa avere la responsabilità dei negozi di pertinenza o di un territorio o di un canale, nel mio caso franchising estero, per quanto riguarda i paesi del Medio Oriente, dove abbiamo negozi monomarca, negli Emirati, in Arabia Saudita e in Marocco. Poi quello che chiamiamo Mediterraneo, che include la Spagna e Canarie, Malta, Cipro, la Grecia e poi Sud America, quindi Guatemala, Ecuador e Venezuela.	My role is Retail Manager, so as you know, being Retail Manager means having responsibility for the stores within one's remit, or for a territory or a channel — in my case international franchising, as regards the countries of the Middle East, where we have monobrand stores, in the Emirates, in Saudi Arabia and in Morocco. Then what we call the Mediterranean, which includes Spain and the Canaries, Malta, Cyprus, Greece, and then South America, so Guatemala, Ecuador and Venezuela.
02:21	Essere responsabile di un canale / area significa avere la responsabilità di quelli che sono i budget di sell-in, quindi di acquisto in campagna vendita, e di sell-out, quindi fatturato dei negozi, ovvero sono due valori ovviamente molto collegati tra loro, perché se un negozio performa come dovrebbe, quindi da aspettative aziendali di budget, noi diamo dei budget sell-out, quindi di fatturato, e siamo preposti a dare tutto il supporto necessario ai partner monomarca per fargli raggiungere poi il fatturato, attivando tutte le leve in nostro possesso.	Being responsible for a channel / area means having responsibility for the sell-in budgets — that is, purchases during the sales campaign (buying campaign) — and for sell-out, that is, the stores' turnover; in other words, these are two values that are obviously very closely linked to each other, because if a store performs as it should — that is, in line with the company's budget expectations — we set sell-out budgets, meaning turnover budgets, and we are tasked with providing all the necessary support to the monobrand partners to enable them to then achieve that turnover, activating all the levers at our disposal.
03:03	Questo fa sì che se il cliente raggiunge, ipotizziamo, mezzo milione di fatturato che noi abbiamo messo a budget per l'anno 26, ciò significa, o andiamo dietro, l'ha raggiunto nel 25, possiamo aspettarci che quello che sarà il necessario prodotto da immettere per proiettare un fatturato analogo o leggermente superiore, facilmente sarà raggiunto. Quindi le famose campagne vendite, dove a Milano si incontrano i clienti, servono per presidiare gli ordini di campagna vendita delle stagioni future, del prodotto che arriverà in negozio dopo sei mesi dall'acquisizione dell'ordine circa, in	The result is that if the client reaches, let's suppose, half a million in revenue that we have budgeted for the year '26 — that means, or, going back, they reached it in '25 — we can expect that what will be the necessary product to put in, in order to project a similar or slightly higher revenue, will easily be reached. So the famous sales campaigns (buying campaigns), where clients are met in Milan, serve to oversee the sales campaign orders for the future seasons, for the product that will arrive in the store approximately six months after the order is

	volume tali da proiettare un fatturato in linea con le aspettative aziendali e aspettative del cliente.	acquired, in volumes such as to project a revenue in line with company expectations and the client's expectations.
04:01	Perché si dice aspettative sia aziendali che del cliente? Perché dietro tutti i budget di acquisto e di conseguente fatturato, vengono calcolati sulla base di un P&L, cioè un Profit and Loss, un conto economico, conto economico che viene fatto per ogni negozio in fase di apertura e conto economico che viene aggiornato periodicamente al bisogno e per capire se il cliente mantiene un margine.	Why do we say both company expectations and client expectations? Because behind all the purchase budgets and the resulting turnover, these are calculated on the basis of a P&L, that is, a Profit and Loss, an income statement — an income statement that is drawn up for every store at the opening stage, and an income statement that is updated periodically, as needed, and to understand whether the client maintains a margin.
04:39	Quindi per noi i clienti devono guadagnare. Cioè se un partner monomarca ha un business che non sta guadagnando è evidente che non può durare nel tempo, per cui dobbiamo intervenire anche in questo caso con del supporto, per cui c'è questo calcolo di conto economico che genera qual è il fatturato minimo, quello che copre i costi, ovviamente però non è mai abbastanza coprire i costi, ma consentire al cliente di guadagnare. Dopo, anche se ci sono dei guadagni alti, noi continuiamo a proiettarli in crescita perché chiaramente i clienti vogliono, come tutte le persone, ambire a guadagni anche sempre maggiori. Quindi questa è un po' la super sintesi del tipo di obiettivo centrale del nostro lavoro.	So, for us, clients have to make money. That is, if a monobrand partner has a business that is not making money, it is evident that it cannot last over time, so in this case too we have to intervene with some support, which is why there is this income statement calculation that generates what the minimum turnover is — the one that covers the costs — although obviously it is never enough to cover the costs, but rather to allow the client to make money. Then, even if there are high earnings, we continue to project them to grow, because clearly clients want, like all people, to aspire to ever greater earnings. So, this is sort of the super-summary of the kind of central objective of our work.
05:44	Poi, quelli che sono gli interventi in stagione, ossia assunti votati nel raggiungimento dei fatturati di sell out, possono essere formativi, per esempio organizzare delle sessioni di training negli ambiti sui quali si ritiene che ci sia spazio di crescita. Gli interventi visual, quindi le richiediamo l'aiuto dei visual perché spesso c'è anche un tema di immagine non adeguata, necessità di avere un posizionamento un po' più alto, un po' più premiante, oppure i visual ci vanno comunque anche di default per garantire l'allineamento con gli standard aziendali. Poi può anche essere interpretato come una vera e propria edizione.	Then, as for in-season interventions — that is, undertakings dedicated to achieving the sell-out revenues — these can be training-related, for example organizing training sessions in the areas where it is believed there is room for growth. Visual interventions: so, we request the help of the visual merchandisers, because often there is also an issue of an inadequate image, the need to have a slightly higher, slightly more rewarding positioning, or the visual merchandisers go there anyway by default to ensure alignment with company standards. Then it can also be interpreted as a fully-fledged edition.
06:36	Oppure a fianco delle cose formative c'è la sensibilizzazione dei clienti sui loro parametri, sui loro numeri, cioè farvi capire l'importanza di spingere sempre al massimo su tutti i fattori, appunto dall'allestimento, dallo stile di servizio, dalla capacità di far tornare la cliente, dall'abilità di promuovere il brand anche attraverso altri canali, social, WhatsApp, comunicazione locale.	Or, alongside the training-related things, there's raising clients' awareness of their parameters, of their numbers — that is, making you understand the importance of always pushing to the maximum on all the factors: precisely, from the set-up, to the style of service, to the ability to get the customer to come back, to the skill of promoting the brand also through other channels — social media, WhatsApp, local communication.

07:15	Quindi le attività stagionali, mensili, costanti, che noi cerchiamo di implementare sono sempre diverse perché non si può standardizzare completamente il nostro lavoro, perché ogni mercato è a sé, ogni città è a sé. Prova ad immaginarti solo in Italia, un negozio a Modena, visto che è una città che conosciamo, o a Roma. Sono due modelli di business molto diversi.	So, the seasonal, monthly, constant activities that we try to implement are always different, because our work cannot be completely standardized, because every market is a case, every city is a case in itself. Just try to imagine, in Italy alone, a store in Modena — since it's a city we know — or in Rome. They are two very different business models.
07:49	Poi non vuol dire che quelli di Roma, che fatturano il triplo, guadagnino il triplo. Tante volte nelle piazze più alte, con maggiore potenziale, i costi d'acquisto sono talmente alti che soffocano tutti i margini. Quindi paradossalmente a volte sono più performanti per l'azienda i negozi di città medie.	Then, that doesn't mean that the ones in Rome, which turn over three times as much, earn three times as much. Many times, in the top locations, with greater potential, the acquisition costs are so high that they choke all the margins. So, paradoxically, sometimes the stores in medium-sized cities perform better, for the company.
08:30	Quindi non è solo il fatturato, un parametro di dire “ah quel negozio che fattura di più”, no, è il margine, quello che interessa, quello che rimane. Quindi questo è in super sintesi.	So, it's not just turnover, a parameter of saying “ah, that store that has the highest turnover” — no, it's the margin, that's what matters, what remains. So, this is it, in a nutshell.
09:05	B1. Quali strumenti e linee guida fornisce Liu Jo ai franchisee per garantire la coerenza del brand tra i diversi punti vendita?	B1. What tools and guidelines does Liu Jo provide to franchisees to ensure brand coherence across the different stores (points of sale)?
09:28	Allora, prima diciamo di tutte le leve che ti ho così accennato in velocità per sostenere i negozi, non ho menzionato il tema del buying; quindi, dell'aderenza ad un prodotto e una scelta che siano in linea con appunto il posizionamento del brand, l'immagine del brand, il prodotto core, quindi il business centrale dell'azienda, che nel nostro caso è il denim, la maglieria e gli accessori come categorie merceologiche centrali.	So, first, let's say, among all the levers that I just quickly touched on with you to support the stores, I didn't mention the topic of buying; so, of adherence to a product and a selection that are in line with, precisely, the positioning of the brand, the brand image, the core product — so the central business of the company, which in our case is denim, knitwear and accessories as the central merchandise categories.
10:11	La coerenza la garantiamo attraverso diversi elementi.	We guarantee coherence through various elements.
10:11	1. Quando si ha un nuovo negozio o se un negozio invecchia già dopo cinque anni, noi imponiamo il rinnovo degli spazi. Quindi già il contenitore, il negozio, deve parlare una lingua in linea con il brand.	1. When you have a new store, or if a store gets old — already after five years — we impose a renovation of the spaces. So even the container, the store, must speak a language in line with the brand.
10:34	Quindi è l'azienda che fornisce gli strumenti per fare un layout / un concept, in linea uguale in tutto il mondo. Chiaramente nel corso degli anni i concept cambiano, quindi tu puoi vedere diversi modelli di negozio, non diversissimi l'uno dall'altro perché il modello è un po' quello, un po' di oro, quindi un po' di femminilità, molta luminosità, colori chiari, diciamo, l'idea è che esca bene il prodotto più che arredamenti caldi, pesanti, avvolgenti, no, il nostro caso è arieggiati, luminosi, femminili, eccetera. Con una sempre dominanza anche di spazi per enfatizzare le nostre aree e porti che sono	So, it is the company that provides the tools to create a layout / a concept that is consistent, the same all over the world. Clearly, over the years the concepts change, so you can see different store models, not very different from one another, because the model is more or less that one: a bit of gold, so a bit of femininity, a lot of brightness, light colours, let's say, the idea is that the product stands out well rather than warm, heavy, enveloping furnishings — no, in our case it's airy, bright, feminine, etcetera. Always with a predominance of spaces, too, to emphasise our strong areas, which are

	appunto il denim, ma anche l'accessorio, sia sempre molto spinto nei negozi monomarca e la maglieria, perché tu sai che veniamo dal distretto Carpigiano e la maglieria è sempre stato un punto di forza molto importante per noi.	precisely denim, but also accessories — always very much pushed in the monobrand stores — and knitwear, because you know we come from the Carpi district and knitwear has always been a very important strength for us.
11:49	2. Un buying, quindi con una scelta di prodotto sui monomarca il più allineato possibile, quindi il 70% circa dell'immesso dovrebbe essere allineato alla selezione dei negozi di proprietà.	2. A buying, so with a product selection in the monobrand stores that is as aligned as possible, so around 70% of what is put in should be aligned with the selection of the company-owned stores.
12:08	Questo cosa vuol dire? I negozi di proprietà fanno la selezione, sai che ci sono una decina di buyer; quindi, abbiamo il tempo e i requisiti, le capacità di fare analisi di venduti molto approfondita, anche di prodotti futuri, nonché di quello che fanno i competitor quindi per cercare di differenziarsi. Quindi tutto questo studio lo mettono a disposizione di altre monomarca, ad esempio Affiliati e Corner, i quali è fortemente suggerito, per non dire imposto, di seguirli per un 70%.	What does this mean? The directly operated stores make the selection, you know there are around ten buyers, so we have the time and the requirements, the capabilities to do very in-depth analysis of what has been sold, also of future products, as well as of what the competitors are doing, so as to try to differentiate ourselves. So, they make all this research available to other monobrand stores, for example affiliates and corners, for whom it is strongly suggested, not to say imposed, to follow them for some 70%.
12:50	Perché 70% e non 100% ? Perché si pensa che i partner sui territori conoscano bene quelli che possono essere i necessari adattamenti per il clima, perché se tu imponi in Marocco il 5% dei cappotti quando la temperatura non consente di vendere sarebbe un suicidio. Se tu pretendi che l'Arabia Saudita che indossano abiti coprenti, non abbiano un'incidenza di accessori doppia rispetto all'Europa, loro possono esporre quello. Ti faccio degli esempi banali ma per farti capire che l'adattamento, l'aggiustamento è necessario per arrivare a delle performance e per massimizzare il fatturato.	Why 70% and not 100%? Because it is thought that the partners in the territories know well what the necessary adaptations for the climate may be, because if you impose 5% coats in Morocco when the temperature does not allow you to sell, it would be suicide. If you expect Saudi Arabia — where they wear covering garments — not to have an incidence of accessories that is double compared to Europe, that is what they can display. I'm giving you trivial examples, but to make you understand that adaptation, adjustment, is necessary to achieve performance and to maximise turnover.
13:51	Quindi si dà la selezione, la si presenta a tutti i clienti però poi si ascolta e quando io vado a Milano, per esempio, è proprio per capire quali possono essere gli aggiustamenti necessari e condividerli con i clienti. Cioè se tu rifiuti certi tipi di categorie, di peso riga, di qualsiasi cosa, io ascolto, se ha un senso, una logica anche motivata dai numeri, allora la perseguiamo.	So, the selection is given, it is presented to all the clients, but then we listen, and when I go to Milan, for example, it is precisely to understand what the necessary adjustments may be and to share them with the clients. That is, if you reject certain types of categories, of line weight, of anything at all, I listen, and if it makes sense, if there is a logic that is also backed up by the numbers, then we pursue it.
14:45	3. Modalità di servizio, di approccio alla clientela che è abbastanza comune, sia attraverso l'uniforme, quindi già l'uniforme parla di un certo tipo di immagine che il brand vuole dare; quindi, si dà questo tipo di opportunità di acquistare a sconti elevatissimi, quindi praticamente quasi non le pagano, l'uniforme.	3. Style of service, of approach to customers, which is fairly common, including through the uniform — so the uniform already speaks of a certain type of image that the brand wants to give; so this type of opportunity is given, to buy at extremely high discounts, so they practically almost don't pay for it, the uniform.

15:07	Poi ci sono tutti i materiali, academy, sul servizio, la conoscenza del prodotto, la competenza in termini di abbinamenti di colore, body shape, quindi chi è alla vendita deve avere una competenza tale da riuscire a guidare la cliente ed essere quasi un consulente per la cliente, quindi quello che è il modello di business dei nostri negozi, ha come anima la volontà di dare una consulenza, contrario a quello che accade in tutti i modelli di business che oggi stanno predominando, Zara, Stradivarius, Mango, questi grossissimi gruppi che come sappiamo tutti hanno invece come focus un prodotto interessante a un prezzo medio assolutamente competitivo, ma il servizio non esiste.	Then there are all the materials, academy, on service, product knowledge, competence in terms of colour combinations, body shape, so whoever is on the sales floor must have a level of competence such that they can guide the customer and be almost a consultant for the customer, so the business model of our stores has as its soul the desire to provide consultancy, contrary to what happens in all the business models that are predominating today, Zara, Stradivarius, Mango, these very large groups which, as we all know, instead have as their focus an interesting product at an absolutely competitive average price, but service does not exist.
16:09	Invece da noi la cliente che vuole essere guidata verso colori, shape, abbinamenti, ecco da noi trova questo tipo di approccio, ecco perché da noi diventa così importante la competenza in termini, ecco perché investiamo molto nella formazione. Una volta ogni stagione invitiamo qua gli shop manager e coordinatori sul campo proprio per trasferire competenza sulle nuove stagioni, per rafforzare lo stile di servizio, rafforzare le esercitazioni sul prodotto nuovo che ricevono, come combinare il prodotto in saldo con quello a prezzo pieno.	With us, instead, the customer who wants to be guided towards colours, shapes, combinations — well, with us she finds this type of approach; that's why with us competence in these terms becomes so important, that's why we invest a lot in training. Once every season we invite the shop managers and field coordinators here precisely to transfer competence on the new seasons, to strengthen the service style, to strengthen the exercises on the new product they receive, how to combine the product in the end-of-season sales with the one at full price.
17:12	Quando noi retail manager o gli area manager andiamo sul campo, abbiamo come focus capire quale tipo di potenziamento dare a quel team, ogni volta è diverso. Ecco perché non si può standardizzare e dire fornisco a tutti lo stesso materiale, fornisco a tutti lo stesso training, perché ci sono persone che hanno vent'anni di storicità alla vendita, ma magari sono deboli nell'analisi, nel numero, nell'organizzazione, quindi ogni volta in ogni negozio si cerca di capire come intervenire nelle piccole aree di miglioramento e questa è la modalità per essere il più coerenti in linea possibile in tutto il mondo, attraverso appunto l'immagine che diamo, il prodotto che selezioniamo, la comunicazione che facciamo.	When we retail managers or the area managers go into the field, our focus is to understand what kind of strengthening to give that team, and every time it's different. That's why you can't standardize and say I provide everyone with the same material, I provide everyone with the same training, because there are people who have twenty years of history in sales but are perhaps weak in analysis, in numbers, in organization, so every time, in every store, we try to understand how to intervene in the small areas for improvement, and this is the way to be as coherent and in line as possible all over the world — precisely through the image we convey, the product we select, the communication we do.
18:07	5. La comunicazione è la stessa in tutto il mondo, quindi ci sono 5-6 immagini istituzionali a stagione, pochissime, che tutti i clienti possono utilizzare per veicolare il brand in qualsiasi tipo di iniziativa di comunicazione locale, in passato si faceva molto di più, adesso con i social è venuto un po' meno. In passato i	5. Communication is the same all over the world, so there are 5-6 institutional images per season, very few, which all clients can use to convey the brand in any type of local communication initiative; in the past much more was done, now with social media that has fallen away a bit. In the past, partners bought pages in

	partner acquistavano pagine di magazine femminili, di moda, billboard, poi abbiamo vietato l'utilizzo del brand di Liu Jo su Instagram, proprio perché veicolavano delle immagini non in linea con il brand.	women's magazines, fashion magazines, billboards; then we banned the use of the Liu Jo brand on Instagram, precisely because they were conveying images that were not in line with the brand.
18:58	Per essere coerenti si cerca di sfoltire tutto quello che sposta l'attenzione del consumatore finale rispetto a un posizionamento che si vuole dare al brand, quindi se il negozio di Modena fa la foto di un'amica della shop manager con la pancia di fuori, e la posta, tu dai un'immagine del brand che non è quella che dovresti, quindi si è deciso appunto di togliere la possibilità di link diretto del brand e quindi utilizzare una sola pagina ufficiale di Liu Jo.com online e la pagina di Liu Jo Global in Instagram, Facebook, Snapchat e tutti i social.	To be coherent, we try to trim away everything that shifts the end consumer's attention away from a positioning that we want to give the brand, so if the Modena store takes a photo of a friend of the shop manager with her midriff showing and posts it, you give an image of the brand that isn't the one you should, so it was decided, in fact, to remove the possibility of a direct link to the brand and therefore to use a single official page, Liu Jo.com, online, and the Liu Jo Global page on Instagram, Facebook, Snapchat and all the social networks.
19:59	Tutti i partner possono, se vogliono, investire in comunicazione locale sulla loro città, su magazine, su billboard, utilizzando queste poche immagini istituzionali che l'azienda accetta di veicolare ovviamente con sotto il nome del negozio di quella città e questa è la modalità con la quale più o meno tutti i brand si propongono a dare un'immagine consistente ovunque nel mondo, quindi la cliente che viaggia trova più o meno, si identifica con il brand e con quel tipo di prodotto perché hanno la stessa "lingua" che si trovi a Dubai, a Milano, a Casablanca, ad Aversa.	All the partners can, if they want to, invest in local communication in their city, in magazines, on billboards, using these few institutional images that the company agrees to circulate, obviously with the name of that city's store underneath, and this is the way in which more or less all brands set out to give a consistent image everywhere in the world, so the customer who travels finds more or less, identifies with the brand and with that type of product because they have the same "language", whether she is in Dubai, in Milan, in Casablanca, or in Aversa.
21:07	B2. Come monitora Liu Jo il rispetto effettivo di queste linee guida da parte dei franchisee?	B2. How does Liu Jo monitor the franchisees' actual compliance with these guidelines?
21:27	Per quanto riguarda il layout degli spazi /il concept architettonico / di design / gli arredi vengono prodotti in Italia e spediti anche ai paesi vicini. Al contrario, per i paesi più lontani, l'azienda fornisce dei modelli da seguire e il cliente trova dei fornitori locali che lo producano con lo stesso tono, quella stessa texture. L'azienda richiede i campioni per verificarli, prima di dare l'ok per la produzione.	As regards the layout of the spaces / the architectural / design concept / the furnishings are produced in Italy and also shipped to nearby countries. By contrast, for more distant countries, the company provides models to follow, and the client finds local suppliers who produce it with the same tone, that same texture. The company requests the samples to check them, before giving the OK for production.
22:27	Per quanto riguarda gli allestimenti e le vetrine che anche se contribuiscono enormemente al posizionamento e all'immagine che si dà da fuori ecco lì c'è un sistema di monitoraggio molto costante di foto che tutti i clienti di monomarca devono mandare. Ogni 10-15 giorni a seconda della piazza mediamente ogni 2 settimane cambiano tutto l'allestimento, i clienti mandano le foto le quali vengono puntualmente corrette	As for the displays and the shop windows, which, even though they contribute enormously to the positioning and to the image given from the outside, well, there, there is a very constant monitoring system of photos that all the monobrand clients have to send. Every 10-15 days, depending on the location — on average every 2 weeks — they change the entire display; the clients send the photos, which are promptly corrected by the Visual

	dal team Visual Merchandising (le mani, la posizione, la spillatura, quella borsa non sta bene). Inoltre i negozi vengono guidati attraverso dei book stagionali che vengono mandati una volta a stagione con tutti gli scatti della collezione. In stagione ogni 2 settimane vengono dati consigli di quello che si chiama early-merchandising, cioè il prodotto che c'è in negozio in quella fase e anche seguendo anche quello che fanno i competitors, si mescolano i prodotti in modo tale da essere aderenti a quello che si chiama time-market quindi il momento di mercato. Oltre al book, l'azienda invita i clienti a valutare gli scatti extra il team visual ha fatto e fa ogni 2 settimane. Quindi è un lavoro sempre molto al passo col tempo cioè non è una roba stampata che ho fatto 6 mesi prima ma è in continuo progresso.	Merchandising team (the hands, the position, the pinning, that bag doesn't look right). Moreover, the stores are guided through seasonal books, which are sent once a season with all the shots of the collection. During the season, every 2 weeks advice is given on what is called early-merchandising, that is, the product that is in the store at that stage, and, also following what the competitors do, the products are mixed in such a way as to be in line with what is called time-market, in other words the market moment. In addition to the book, the company invites the clients to evaluate the extra shots that the visual team has taken and takes every 2 weeks. So, it is a job that is always very much in step with the times — that is, it is not some printed thing that I did 6 months earlier, but it is in continuous progress.
25:02	Lato servizio, noi dell'ufficio franchising estero teniamo monitorati i parametri qualitativi o KPIs quindi lo scontrino medio, il prezzo medio, la conversion rate. Il numero ci dice già moltissimo di quello che sta succedendo in negozio. Se i numeri sono in linea con quello che ci attendiamo tutto a posto, se ci mandano dei segnali (crolla il footfall, non stanno convertendo, oppure vendono a un prezzo medio molto basso) allora cerchiamo di capire cosa succede.	On the service side, we in the international franchising office monitor the qualitative parameters, or KPIs — so the average transaction value, the average price, the conversion rate. The number already tells us a great deal about what is happening in the store. If the numbers are in line with what we expect, everything is fine; if they send us signals (footfall collapses, they are not converting, or they are selling at a very low average price), then we try to understand what is going on.
25:49	Possono esserci diversi fattori: un fattore di negozio poco attrattivo, o non sono state fatte attività di richiamo (Whatsapp, sms).	There can be various factors: a factor of the store not being very attractive, or no recall activities have been carried out (WhatsApp, SMS).
26:32	Per esempio, questa stagione l'attività che si è identificata erano le styling session. Le abbiamo fatte su quasi tutte le città con un buon risultato e ogni stagione si capisce quello che ci può essere bisogno in questo caso secondo noi era necessario un richiamo diciamo di clienti, proprio perché c'era su molte piazze c'erano pochi ingressi, e questo ha funzionato.	For example, this season the activity that was identified was styling sessions. We did them in almost all the cities, with a good result, and every season you understand what may be needed — in this case, in our view, a recall, let's say, of customers was necessary, precisely because in many locations there were few entries, and this worked.
27:45	B4. Quali sono le aree in cui i franchisee deviano più frequentemente dagli standard del brand?	B4. What are the areas in which franchisees most frequently deviate from the brand's standards?
28:16	Sì, oserei dire quasi dappertutto ci sono delle piccole anomalie quasi mai gravissime, anche perché quando fossero proprio gravissime (che per noi vuol dire un'immagine del nostro brand completamente distorsiva e penalizzante) a quel punto meglio chiudere il negozio e noi rinunciamo a quella quota.	Yes, I would dare say that almost everywhere there are small anomalies, almost never extremely serious, also because if they were truly extremely serious (which for us means a completely distorted and penalising image of our brand), at that point it is better to close the store, and we give up that share.
28:53	Piccole differenze ci sono sempre perché anche in ambito di visual non arriviamo mai al 100% quasi con	There are always small differences, because even in terms of visual merchandising we never get to 100%

	nessuno però è chiaro che un conto è essere in piazze dove hai una visibilità altissima Milano Corso Vittorio Emanuele, Roma Via dei Condotti, ecco quelle location lì è chiaro che devono essere presidiate dai visual di sede costantemente, addirittura tutte le settimane perché il negozio deve essere sempre come l'azienda vuole che sia non puoi delegarlo a qualcuno del negozio che fa altro. L'idea è se parliamo di franchising in piazze più provinciali allora lì è chiaro che se il partner vuole essere più commerciale vuole esporre di più, la metratura del negozio è piccola quindi lui vuole mettere fuori più merce.	with almost anyone, but it's clear that it's one thing to be in locations where you have extremely high visibility — Milan, Corso Vittorio Emanuele; Rome, Via dei Condotti — well, those locations, it's clear, must be constantly covered by the head-office visual merchandisers, even every week, because the store must always be the way the company wants it to be; you can't delegate that to someone in the store who does something else. The idea is, if we're talking about franchising in more provincial locations, then there it's clear that if the partner wants to be more commercial, he wants to display more; the store's floor space is small, so he wants to put out more merchandise.
30:10	Questa è una direttiva molto frequente, cioè l'azienda chiede un posizionamento molto premium, quindi un posizionamento alto. Il partner monomarca dice, no guarda per la mia piazza è troppo alto perché la cliente si intimorisce ad entrare in un negozio così, voglio farle sentire che sono più commerciale allora devo mettere in vetrina o esposta più merce. A quel punto c'è sempre la trattativa, dove ha senso arrivare al massimo del commerciale, dove invece dobbiamo tenere la barra dritta, perché è una piazza importante, quindi diciamo no guarda noi però a quel tipo di livelli di immagine non ci vogliamo arrivare, quindi c'è sempre uno scambio tra le parti e la soddisfazione piena al cento per cento col partner franchising ti posso dire che non ce l'ha mai, cioè noi ci lamenteremo sempre di loro, loro si lamenteranno sempre della nostra rigidità, quindi questo è un po' il gioco delle parti.	This is a very frequent directive, that is, the company asks for a very premium positioning, so a high positioning. The monobrand partner says, no look, for my market it's too high, because the customer feels intimidated about walking into a store like that, I want to make her feel that I'm more commercial, so I have to put more merchandise in the window or on display. At that point there's always the negotiation over where it makes sense to go to the maximum commercial level, and where instead we have to hold the line, because it's an important market, so we say, no look, we, however, don't want to get to that kind of image level, so there's always an exchange between the parties, and full one hundred percent satisfaction with the franchising partner, I can tell you, you never have it, that is, we will always complain about them, they will always complain about our rigidity, so this is a bit of a game where each side plays its part.
31:15	Insomma, il lavoro nostro è proprio quello di capire dove è necessario tendere a certi tipi di allineamenti, dove invece può avere senso, perché il partner comunque è una persona ragionevole e logica che comunque espone il prodotto e ha un negozio comunque più che adeguato, allora non ha senso discutere costantemente per due capi in più sulla barra, soprattutto se anche gli altri competitor fanno la stessa cosa.	In short, our job is precisely to understand where it is necessary to push for certain types of alignment, and where instead it can make sense, because the partner is, after all, a reasonable and logical person who, in any case, displays the product and has a store that is, in any case, more than adequate — so then it doesn't make sense to argue constantly over two extra garments on the rail, especially if the other competitors do the same thing as well.
32:04	C4. Quali sono le richieste più frequenti che ricevete dai franchisee? Su cosa insistono di più?	C4. What are the most frequent requests you receive from franchisees? What do they insist on most?
32:29	Allora lato prodotto diciamo non c'è, ogni stagione nel momento in cui viene presentata la collezione	Well, on the product side let's say there isn't — every season, when the collection is presented, clearly there

	chiaramente ci sono sempre dei clienti che lamentano la mancanza o di un colore, di una categoria merceologica in volumi. Però in tutta onestà abbiamo delle collezioni ampissime e devo dirti che in tanti anni che lavoro qua veramente sono capitate un pugno di volte che un cliente facesse fatica a raggiungere il budget di acquisto per mancanza reale di prodotto.	are always some clients who complain about the lack either of a colour or of a product category in terms of volumes. But in all honesty, we have extremely broad collections, and I have to tell you that in the many years I've been working here it has really happened a handful of times that a client struggled to reach their buying budget due to a real lack of product.
33:24	Per esempio, nelle ultime stagioni lamentano tutti che ci sono pochi abiti rispetto al passato, ma in passato eravamo arrivati ad avere dei volumi di abiti talmente alti e quello che cerchiamo di far capire è che ci sono anche dei trend, l'abito adesso va meno. Ora i trend interessano la camicia, lo spezzato, la gonna lunga, le mode cambiano, ti devi adattare. Spesso i clienti arrivano con il paraocchi "ah ma io ho venduto 600 abiti l'anno scorso, tu me ne stai ponendo nella collezione un numero tale che io non riuscirò a realizzare quei volumi". Alla fine, li facciamo ragionare: diciamo "intanto quello in cui credi molto lo puoi pesare anche un po' di più"; inoltre, non è che riduciamo le collezioni, modifichiamo i pesi delle categorie merceologiche in funzione dei venditori mondo. Per cui ecco, il tema della categoria merceologica abiti è stato sicuramente la polemica più grande che ci siamo sentiti dire a livello di prodotto.	For example, in recent seasons everyone complains that there are fewer dresses than in the past, but in the past, we had reached such high volumes of dresses, and what we try to get across is that there are also trends — the dress is less popular now. Right now, the trends involve the shirt, separates, the long skirt; fashions change, you have to adapt. Often clients arrive with blinkers on: "ah, but I sold 600 dresses last year, and you're putting such a number of them in the collection that I won't manage to achieve those volumes". In the end we get them to reason: we say "for a start, what you strongly believe in you can also weight a bit more"; moreover, it's not that we reduce the collections, we adjust the weights of the merchandise categories according to the worldwide sellers. So there, the issue of the dresses merchandise category has definitely been the biggest complaint we've heard at product level.
34:59	A livello visual il tema più discusso è il prodotto per metro lineare (ovvero quante grucce ci stanno in un metro lineare). L'azienda dice 8-10, i clienti ti dicono 12-14, quindi devi sempre andare a mediare; quindi, questo è l'altro elemento di un trend di discussione.	At the visual level, the most discussed topic is product per linear metre (that is, how many hangers fit in one linear metre). The company says 8-10, the clients tell you 12-14, so you always have to mediate, so this is the other element in a trend of discussion.
35:31	Il terzo elemento è in ambito di comunicazione locale. Ovvero avere più libertà nell'uso dei social, ma come ti ho già detto prima, per esigenze di posizionamento consistente e coerente non si può.	The third element is in the area of local communication. That is, having more freedom in the use of social media, but as I already told you before, due to the need for consistent and coherent positioning, it cannot be done.
36:01	Per esempio, in passato era più diffuso l'allocazione di budget di comunicazione locale, quindi ogni monomarca aveva un suo piccolo budget che poteva utilizzare per comunicare, per promuovere il trend sul suo territorio, ovviamente coordinati da noi, e sempre essere approvato dal marketing. Oggi si è preferito andare in una direzione diversa: il nuovo amministratore delegato ritiene che non siano strategici; quindi, preferisce investire in uno o due eventi a stagione per far parlare tutti i social, invitare tutte le blogger,	For example, in the past the allocation of local communication budgets was more widespread, so each monobrand store had its own small budget that it could use to communicate, to promote the trend in its territory — obviously coordinated by us, and always to be approved by marketing. Today the preference has been to go in a different direction: the new CEO believes they are not strategic, so he prefers to invest in one or two events per season to get all the social media talking, to

	influencer. Un esempio sono gli ultimi due eventi di maggio e giugno a Venezia e Istanbul.	invite all the bloggers, influencers. An example is the last two events in May and June, in Venice and Istanbul.
37:26	Quindi ecco magari i clienti dicono: "noi prima potevamo fare un piccolo evento nel nostro negozio finanziato dall'azienda che produceva magari 15 mila euro e oggi non ce lo fate più fare", ma fa parte del gioco.	So, well, maybe the clients say: "before, we could hold a small event in our store, financed by the company, which generated maybe 15 thousand euros, and today you no longer let us do it", but that's part of the game.
37:40	Un'altra cosa mi viene in mente, una richiesta molto trasversale è che nelle stagioni meno performanti chiedono un reso dell'invenduto. Contrattualmente molti partner in Europa esclusivamente, quindi in ambito CE, hanno una condizione contrattuale di una quota di reso dell'invenduto che può andare dal 5 al 20% massimo. In stagioni critiche capitano delle richieste trasversali di ritiro di un 5% in più così che non rimanga lo stock di passate stagioni, e si alleggeriscano.	Another thing comes to mind: a request that is very much across the board is that in less well-performing seasons they ask for a return of unsold goods. Contractually, many partners exclusively in Europe, so within the EC, have a contractual condition of a quota for returns of unsold goods that can range from 5 to a maximum of 20%. In critical seasons, across-the-board requests come up for the take-back of an extra 5%, so that stock from past seasons isn't left over and they can lighten their load.
38:34	Ovviamente è pagato, quello che hanno pagato loro.	Obviously, it is paid, what they themselves paid.
38:39	Come rispondete di solito — accogliete, negoziate, o rifiutate?	How do you usually respond — do you accept, negotiate, or refuse?
38:57	Per chi è vitale, essenziale e guardando appunto la fotografia completa, che ti dicevo all'inizio del conto economico, diciamo beh magari lui un 5% in più lo ritiriamo, così riesce a pagarci la nuova merce già pronta per loro in spedizione senza problemi, parte subito con la stagione a prezzi pieni, magari si rimette subito. Chi invece lo fa perché ha canali di smaltimento alternativi e comunque anche se non è il negozio più solido, non è che sia un momento di beneficenza; quindi, diciamo che non possiamo e quindi va un po' così.	For those for whom it's vital, essential — and looking precisely at the complete picture of the income statement that I was telling you about at the beginning — let's say, well, maybe for him we take back an extra 5%, so he manages to pay us for the new merchandise that's already ready for shipment to them without problems, he starts the season right away at full prices, maybe he gets back on his feet right away. Those who instead do it because they have alternative disposal channels — and in any case, even if it's not the most solid store, it's not that this is a moment for charity — so let's say we can't, and so it goes a bit like that.
39:56	C5. I franchisee vi hanno mai chiesto di adattare qualcosa per il loro mercato locale?	C5. Have the franchisees ever asked you to adapt anything for their local market?
40:34	Sì, ce lo chiedono. Per esempio, i paesi dove c'è un'altezza media molto più alta che l'altezza italiana, per esempio nel nord Europa o in Russia, ci hanno chiesto in queste stagioni di avere le gonne o i pantaloni più lunghi. Allora sui denim, i modelli più forti li facciamo con la doppia lunghezza. In questo modo, i paesi con questa necessità dell'altezza possono comprare direttamente i capi più lunghi.	Yes, they do ask us. For example, the countries where the average height is much taller than the Italian height, for example in northern Europe or in Russia, have asked us in these seasons to have longer skirts or trousers. So, on denim, we make the strongest styles in two lengths. This way, the countries with this height need can buy the longer garments directly.
41:15	Per quanto riguarda il tema del culturale, della copertura per esempio in Medio Oriente, adesso che siamo più	As regards the cultural issue, of coverage, for example in the Middle East, now that we are more substantial in

	consistenti su quei territori, hanno presentato più modelli con maniche, abiti più lunghi, con maniche lunghe avendo più varianti in modo tale da garantire un messo di prodotto in linea. Anche lato visual e comunicazione in questi paesi ci siamo adattati con immagini di campagne coprenti, noi siamo un brand molto sexy, molto femminile, quindi mostrare pubblicità di un certo tipo non sta bene e può anche essere multato dalla legge. Per cui abbiamo fatto degli scatti diversi per loro, abbiamo riadattato un po' gli scatti per questi mercati.	those territories, they have presented more models with sleeves, longer dresses, with long sleeves, having more variants to guarantee a product mix in line. Also, on the visual and communication side, in these countries we have adapted with covered-up campaign images; we are a very sexy, very feminine brand, so showing advertising of a certain kind is not appropriate and can even be fined by law. So, we did some different shots for them, we readapted the shots a bit for these markets.
42:53	B5. Come bilanciate la coerenza del brand con la necessità di adattamento ai mercati locali?	B5. How do you balance brand coherence with the need to adapt to local markets?
42:53	Si cerca anche un po' di bilanciare da una parte la coerenza dell'immagine del brand con anche delle piccole necessità locali, senza snaturare il brand. Non faremo mai un modello, un prodotto, perché ce lo chiede un cliente che è lontano anni-luce dal nostro DNA. Non possiamo diventare quello che non siamo, quindi possiamo modificare il capo (se ti serve meno scollato, se ti serve con la manica lunga) qualcuno lo possiamo valutare, ma non ti facciamo dei capi ad hoc. Sei tu clienti che ti devi adattare alla nostra collezione spingendo sui capi che nel tuo mercato si possono vendere, non che noi ti creiamo una collezione per te, quello no.	We also try a bit to balance, on the one hand, the coherence of the brand image with some small local needs as well, without distorting the nature of the brand. We will never make a style, a product, because a client asks us for it, that is light-years away from our DNA. We cannot become what we are not, so we can modify the garment (if you need it less low-cut, if you need it with long sleeves) — some of these we can consider — but we do not make ad hoc garments for you. It is you, the client, who has to adapt to our collection, pushing the garments that can sell in your market, not us creating a collection for you — that, no.
44:10	C6. Secondo la sua esperienza, cosa vorrebbero i franchisee che attualmente non hanno? Cosa chiederebbero se potessero cambiare una cosa del rapporto con Liu Jo?	C6. In your experience, what would franchisees like that they currently don't have? What would they ask for if they could change one thing about the relationship with Liu Jo?
44:53	Il primo elemento di richiesta extra riguarda sempre le condizioni commerciali, contrattuali, cioè avere uno sconto maggiore, avere un reso maggiore, avere la garanzia che se una stagione c'è un invenduto possono contare su di noi. Riguardo queto ultimo elemento, noi offriamo al cliente una condizione, sempre e solo in Europa, una condizione che chiamiamo SWAP, quindi cambio merce, quindi c'è una quota che il monomarca può sostituire: ci manda indietro quello che non vende, che non sta vendendo, che pensa di non riuscire a vendere neanche a sconto perché è un prodotto troppo pesante nella stagione estiva, per esempio, che quindi in fase di saldo sarà poco affidabile e quindi ce lo restituisce. Una lamentela abbastanza trasversale è	The first element of extra requests always concerns the commercial, contractual conditions, that is, having a bigger discount, having a larger return allowance, having the guarantee that if there is unsold stock one season they can count on us. Regarding this last element, we offer the client a condition, always and only in Europe, a condition we call SWAP, that is, a merchandise exchange, so there is a quota that the monobrand store can replace: they send back to us what they don't sell, what they aren't selling, what they think they won't manage to sell even at a discount because it's a product that is too heavy for the summer season, for example, and which will therefore not be very reliable during the end-of-season sales, and so they return it to

	"vorrei trovare prodotti più qualitativi: cioè vorrei trovare i miei bestseller a B2B e ricambi, invece faccio sempre fatica a trovare prodotti qualitativi".	us. A cross-cutting complaint is: "I would like to find higher-quality products: that is, I would like to find my bestsellers on the B2B and replenishments, but instead I always struggle to find quality products."
47:00	Ovvio i prodotti bestseller sono bestseller dappertutto di solito, cioè quello che funziona bene funziona bene dappertutto; quindi, non è che noi possiamo se avessimo la bacchetta magica che sei mesi prima sappiamo già questi dieci saranno i bestseller. Noi facciamo i lanci produttivi un po' a macchia di leopardo proprio per ridurre il rischio e dare su tutte le categorie merceologiche la possibilità di riassortimento. I clienti ti dicono sto facendo cambio merce mi servono, per esempio delle t-shirt a scollo a V, ma non ci sono, cosa posso farci, cioè se non ci sono vuol dire che quelle che avevamo sono andate meglio di quello che noi pensavamo e quindi abbiamo finito di riassortire o sostituire tutti, quindi devi fare con quel che c'è e ecco questa è un'altra lamentela abbastanza diffusa, ovvero la qualità del magazzino, del B2B, del prodotto magazzino nella stagione in corso, cioè poter disporre di maggiore e qualitativamente migliore stock di riassortimenti e cambi merce. Allo stesso tempo non possiamo pensare di avere un magazzino dove tu tutti i mesi puoi trovare tutto quello che vuoi, sennò ti disincentiviamo anche a fare un ordine completo in campagna vendita.	Obviously, bestseller products are usually bestsellers everywhere — that is, what works well works well everywhere — so it's not as if we can, if we had a magic wand, already know six months in advance that these ten will be the bestsellers. We do our production launches in a somewhat patchy way precisely to reduce risk and to give the possibility of replenishment across all product categories. Clients tell you: I'm doing a merchandise exchange, I need, for example, V-neck t-shirts, but there aren't any — what can I do about it? I mean, if there aren't any, it means the ones we had did better than we thought, and so we've finished replenishing or replacing them all, so you have to make do with what's there. And there you go, this is another widespread complaint, namely the quality of the warehouse, of the B2B, of the warehouse product in the current season — that is, being able to have at their disposal a greater and qualitatively better stock for replenishments and merchandise exchanges. At the same time, we can't think of having a warehouse where every month you can find everything you want, otherwise we also disincentivise you from placing a complete order during the sales campaign.
48:59	B7. Potresti descrivere come funziona il processo commerciale/acquisti per i negozi internazionali di Liu Jo?	B7. Could you describe how the commercial/buying process works for Liu Jo's international stores?
49:39	Per i negozi di proprietà gli acquisti vengono fatti dalla sede, quindi il team delle buyer, che hanno la responsabilità appunto di equilibrare, valutare l'immesso sui negozi. Loro fanno una selezione dei capi più forti della collezione e lo condividono tra di loro; quindi, dicono allora questi sono i capi must-have, tutti i negozi li devono avere, sia quelli più piccoli che i più grandi. Per quest'ultimi si aggiunge il tema di peso riga, quindi aumenti tutti i dettagli sugli stessi capi, ma aumenti anche le selezioni dei capi, quindi stabiliscono, l'ordine massimo deve stare dentro questi modelli, questo è l'ordine cuore che tutti hanno. Successivamente, intervengono negozio per negozio e modello per modello: modelli x, y, z, è una S, due M, una L, tre XL.	For the company-owned stores, purchasing is done by the head office, so the team of buyers, who have the responsibility, precisely, of balancing, evaluating what is put into the stores. They select the strongest garments in the collection and share it among themselves, so they say: well then, these are the must-have garments, all the stores must have them, both the smaller ones and the bigger ones. For the latter, the issue of weight per line is added, so you increase all the details on the same garments, but you also increase the selections of garments, so they establish: the maximum order must stay within these models, this is the core order that everyone has. Afterwards, they intervene store by store and model by model: models x, y, z — it's one S, two

	Inseriscono gli ordini nei sistemi. La buyer deve adattare il buying tenendo conto dell'ordine cuore che devono avere tutti, e poi deve bilanciare le categorie merceologiche in funzione dei venduti di ogni negozio e anche del peso. Per esempio, un negozio in Polonia che in inverno ha -10 gradi, non può avere la stessa selezione identica di Palermo o di Lisbona.	M, one L, three XL. They enter the orders into the systems. The buyer has to adapt the buying considering the core order that everyone must have and then has to balance the product categories according to each store's sales and also the weight. For example, a store in Poland where it is -10 degrees in winter cannot have the same identical selection as Palermo or Lisbon.
51:47	Questa selezione ci viene poi presentata e alle agenzie su diversi territori (abbiamo delle filiali dirette a Parigi, Monaco, Barcellona e Madrid e in Polonia e in Russia). Gli agenti invitano i clienti ad andare in showroom: i paesi con filiale diretta possiedono anche lo showroom, altrimenti in tutti gli altri territori convergono sullo showroom di Milano. Lo showroom è presente dove c'è una massa critica forte, quindi un numero di clienti monomarca e multimarca e corner e department store. Una volta in showroom i clienti fanno l'ordine con dei venditori che hanno acquisito tutte le guide dalla sede e quindi le trasferiscono ai clienti. Per i buying dei monomarca assistono anche i retail manager per garantire una qualità dell'ordine in linea con i venduti e con la selezione dei buying. Presidiando gli ordini non lo accetti se un cliente va completamente fuori da questa logica. Quindi il partner che è presente in showroom gli viene fatta una presentazione uno per uno, cliente per cliente, circa ci vogliono due giorni, è molto lungo il processo di buying perché si trovano in questi showroom con degli spazi giganteschi, tutta la collezione allestita. Si passa modello per modello, taglia per taglia. Una volta concluso acquisiamo l'ordine, stampa, firma, invio e si manda in azienda che poi manda in area produttiva, questa accorpa tutti gli ordini di tutti i canali e mandano le produzioni ai vari fornitori che sono un po' in tutto il mondo.	This selection is then presented to us and to the agencies across the various territories (we have direct branches in Paris, Munich, Barcelona and Madrid, and in Poland and in Russia). The agents invite clients to go to the showroom: the countries with a direct branch also have a showroom; otherwise, in all the other territories, they converge on the Milan showroom. The showroom is present where there is a strong critical mass, so several monobrand and multibrand clients and corners and department stores. Once in the showroom, clients place their order with salespeople who have acquired all the guidelines from headquarters and so pass them on to the clients. For the monobrand buying, the retail managers also assist, to guarantee an order quality in line with sales figures and with the buying selection. By overseeing the orders, you don't accept it if a client goes completely outside this logic. So, the partner who is present in the showroom is given a presentation one by one, client by client; it takes about two days — the buying process is very long, because they are in these showrooms with gigantic spaces, with the whole collection set up. You go through it model by model, size by size. Once it's concluded we acquire the order — printing, signature, sending — and it's sent to the company, which then sends it to the production area; this consolidates all the orders from all the channels, and they send the production out to the various suppliers, who are a bit all over the world.
54:59	B8. Quanta libertà ha un franchisee nella scelta dei prodotti da acquistare e nelle quantità?	B8. How much freedom does a franchisee have in choosing which products to purchase and in what quantities?
54:59	Il cliente ha abbastanza libertà nella scelta, ovviamente è un po' indirizzato secondo cosa vede, ma viene data autonomia di selezione perché ovviamente la merce la paga lui, lo stock gli rimane a lui, e il territorio e la cliente li conosce lui. Noi non possiamo imporre con la forza, magari proviamo a convincerlo, se noi gli	The client has quite a lot of freedom in the choice; obviously he is somewhat steered according to what he sees, but he is given autonomy of selection because obviously he is the one who pays for the merchandise, the stock stays with him, and he is the one who knows the territory and the customer. We cannot impose

	diciamo guarda per noi questo è fondamentale, è difficile che un cliente dica no, a meno che non ci siano delle ragioni veramente forti; infatti, nove volte su dieci accetta i consigli.	anything by force; perhaps we try to convince him — if we tell him, look, for us this is fundamental, it is unlikely that a client will say no, unless there are really strong reasons; in fact, nine times out of ten he accepts the advice.
56:25	B9. Osservate differenze sistematiche tra ciò che acquistano i franchisee e ciò che viene assortito nei negozi DOS?	B9. Do you observe systematic differences between what franchisees purchase and what is stocked in the assortment of the DOS stores?
56:47	No, siamo su un 70% di aderenza. Circa il 70% degli ordini franchising sono aderenti alla selezione retail, il 30% invece si distacca o per colore o per modello.	No, we're at about 70% adherence. Roughly 70% of franchising orders adhere to the retail selection, whereas 30% deviates either in colour or in model.
57:03	B10. Come funziona il processo di sconti e saldi per i negozi in franchising rispetto ai DOS?	B10. How does the process of discounts and end-of-season sales work for franchising stores compared to the DOS?
57:25	Più o meno è molto simile nel senso che viene identificato dalla sede quello che è la policy: policy vuol dire sia la selezione dei modelli da mettere nei mid-season sales, per esempio sulla base delle giacenze che sono sui negozi monomarca. Quindi loro prendono la giacenza che c'è su monomarca e valutano, la incrociano con quello che può essere il potenziale di smaltimento di quel prodotto anche in fase di saldo dopo i mid-season sales (solitamente sono in aprile, novembre, ottobre).	More or less it's very similar, in the sense that what the policy is gets identified by the head office: policy means the selection of the models to put into the mid-season sales, for example on the basis of the stock that is in the monobrand stores. So, they take the stock there is in monobrand and evaluate, they cross-reference it with what the clearance potential of that product may be, also in the end-of-season sales phase after the mid-season sales (usually they are in April, November, October).
58:14	Quindi si valuta quali modelli venduti appunto ad aprile per la collezione stile prima dell'estate o in ottobre per la collezione oltre l'inverno in quella fase possono avere una certa attività. Si decide anche in funzione all'andamento della categoria merceologica cioè metti che ci sia una camicia che non si è venduta proprio ma di camicie le ha vendute bene in generale magari si può decidere di dire noi la mettiamo in promozione perché comunque non abbiamo tante alternative e senz'altro la vendiamo a prezzo pieno. Sono le buyer a studiare gli stock e fare la selezione. Poi la direzione Retail valuta la percentuale di sconto, quasi sempre la stessa di stagione in stagione. Rispetto al passato la direzione Retail ha cambiato approccio: oggi siamo un po' più aggressivi, ovvero smaltiamo in breve tempo per massimizzare il più possibile subito. Il rischio di protrarre troppo in avanti gli sconti è che magari i competitors fanno degli sconti migliori e noi rimaniamo fregati. Quindi ad oggi la direzione è più aggressiva nella percentuale di abbattimento, nella selezione e nel tempo, nelle date.	So, we assess which models sold — precisely, in April for the collection, sort of, before summer, or in October for the collection beyond winter — can have a certain level of activity in that phase. The decision is also made on the basis of the performance of the product category — that is, say there's a shirt that hasn't sold at all, but shirts in general have sold well: maybe one can decide to say we'll put it on promotion, because in any case we don't have many alternatives and we'll certainly sell it at full price. It is the buyers who study the stock and make the selection. Then Retail management assesses the discount percentage, which is almost always the same from season to season. Compared with the past, Retail management has changed its approach: today we are a bit more aggressive, that is, we clear stock in a short time to maximize as much as possible right away. The risk of dragging the discounts out too long is that competitors might offer better discounts and we end up getting burned. So, as of today, management is more aggressive in the markdown percentage, in the selection

	Cerchiamo di creare 4-5 blocchi ai quali dopo tutto il mondo cerchi di adattarsi. Per esempio, c'è il blocco che magari non fa i mid-season sales, c'è il blocco che lo fa molto anticipato.	and in the timing, in the dates. We try to create 4-5 blocks which the whole world then tries to adapt to. For example, there's the block that perhaps doesn't do the mid-season sales, there's the block that does them very early.
60:46	Solitamente la priorità è data ai VIP sales ovvero i saldi per le clienti loyal, questi hanno la priorità. Superati mid season sales si torna a prezzo pieno fino alla fase dei saldi veri e propri, che in certi paesi sono ufficiali, cioè governati dalle leggi locali.	Usually, priority is given to the VIP sales, that is, the end-of-season sales for loyal customers; these have priority. Once the mid-season sales are over, we go back to full price until the phase of the actual end-of-season sales, which in certain countries are official, that is, governed by local laws.
61:48	Oggi come oggi, perché non sono ancora iniziati i saldi ufficiali in Italia, ma tutti stanno mandando gli inviti alle clienti del database per venire a beneficiare dello sconto prima che ci siano i saldi ufficiali. Così c'è più assortimento, servizio migliore, eccetera.	As of today — because the official end-of-season sales haven't started yet in Italy — but everyone is sending invitations to the customers in the database to come and benefit from the discount before the official end-of-season sales. That way there's more assortment, better service, et cetera.
62:08	Quindi noi li chiamiamo VIP sales, che vuol dire che i clienti con i fatturati più alti della stagione avranno il vantaggio di essere invitati ai saldi in modo precedente. Poi prima dell'apertura ufficiale a tutti viene data l'opportunità, quindi nel database dicono se volete venire quattro giorni, noi per voi diamo quattro giorni prima degli ufficiali per venire; quindi, più o meno di solito funziona così.	So, we call them VIP sales, which means that the customers with the highest turnover of the season will have the advantage of being invited to the end-of-season sales in advance. Then, before the official opening, everyone is given the opportunity, so in the database they say, if you want to come, four days — we give you four days before the official ones to come, so more or less that's usually how it works.
62:37	Poi dopo ci sono i sales, però hanno tutti la stessa procedura.	Then afterwards there are the sales, but they all have the same procedure.
62:44	Ad oggi abbiamo due step di saldi. Il primo è al 30%.	As of today, we have two steps of end-of-season sales. The first is at 30%.
63:45	B12. Da un punto di vista puramente commerciale, quale canale è più redditizio per Liu Jo — DOS, franchising o wholesale? E perché?	B12. From a purely commercial point of view, which channel is the most profitable for Liu Jo — DOS, franchising or wholesale? And why?
63:59	Multimarca, penso che non ha bisogno di nessun tipo di supporto. Permette di vendere molto bene.	Multibrand, I think it doesn't need any kind of support. It makes it possible to sell very well.
64:20	Intanto i negozi di proprietà sono i meno redditizi per intenderci, ma sono quelli che ti permettono di fare lo sviluppo perché sono diciamo di immagine; quindi, consentono al brand di essere più visibile.	First, company-owned stores are the least profitable, to be clear, but they are the ones that allow you to carry out development because they are, let's say, image stores, so they enable the brand to be more visible.
64:56	Anche franchising è redditizio. Il franchising è redditizio perché i proprietari devono pagare le persone e gli affitti.	Franchising is also profitable. Franchising is profitable because the owners have to pay the staff and the rents.
65:09	Nel caso della proprietà il conto economico è in mano all'azienda. Generalmente i negozi di proprietà (DOS) sono nelle piazze più prestigiose, perché devono essere	In the case of ownership, the profit and loss account is in the company's hands. Generally, company-owned stores (DOS) are in the most prestigious locations,

	rappresentativi, cioè devono attirare, devono dare al brand un posizionamento, di conseguenza hanno i costi così alti che spesso sono in perdita.	because they have to be representative, that is, they have to attract, they have to give the brand a positioning; consequently, they have such high costs that they are often loss-making.
65:35	Invece se il negozio franchising fosse in perdita, la perdita è del cliente, non è mai dell'azienda.	Instead, if the franchising store were running at a loss, the loss is the client's; it is never the company's.
65:41	Il multimarca è ancora più redditizio perché non ha tutti i team a supporto, visual, academy, tutti i costi che servono a tenere tutto quello che ci siamo dette.	Multibrand is even more profitable because it doesn't have all the support teams — visual, academy — all the costs needed to maintain everything we've discussed.
66:06	L'online o il department store (come la Rinascente a Milano) hanno dei volumi altissimi rispetto ai multimarca, ma vogliono degli sconti molto alti. Sicuramente è un vanto esserci perché c'è un traffico importante. Però devi fare degli sconti alti e guadagni poco, quindi è pubblicità. Come il monomarca in Vittoria Emanuele a Milano, alla fine è pubblicità, non è guadagno, è visibilità per il brand.	Online or the department store (like la Rinascente in Milan) have extremely high volumes compared to multibrand stores, but they want very high discounts. It is certainly a point of pride to be there, because there is significant traffic. But you have to give high discounts, and you earn little, so it's advertising. Like the monobrand store on Vittoria Emanuele in Milan, in the end it's advertising, it's not profit, it's visibility for the brand.

A.2 – Second interview (strategic level)

INT2 – Export Sales Director, Liu Jo.

Time	Italiano	English
00:53	Come decide Liu Jo se aprire un DOS, un franchising o attivare la distribuzione wholesale?	How does Liu Jo decide whether to open a DOS, a franchising store, or activate wholesale distribution?
00:53	Liu Jo salvo casi in cui la richiesta, la manifestazione d'interesse verso il brand sia spontanea dal mercato, cioè ci può sempre essere un interlocutore che da un paese ci bussa la porta, perché viaggiando nei territori dove noi siamo largamente presenti manifesta la volontà di aprire un negozio Liu Jo o un business Liu Jo. Quindi la scala può essere diversa di singolo dettagliante potenziale franchisee oppure importatore distributore che poi usa l'apertura di negozio come modello di business per affrontare il mercato. Direi che sia quando la richiesta è spontanea dal mercato e a maggior ragione quando invece andiamo ad esplorare un mercato perché c'è un interesse strategico deciso centralmente da Liu Jo, cioè i mercati in cui siamo presenti, qual è la roadmap per andare ad allargare l'ambito territoriale di sviluppo e che cosa logicamente ci conviene attaccare. Perché l'operazione di sviluppo in tutte le direzioni dovunque non è una logica strategica che paga, perché le operazioni di sviluppo non avvengono più in una mera ottica wholesale, cioè io intercetto un cliente gli vendo della merce e poi chi si è visto si è visto. Questo non accade più e non può accadere, o meglio, quando si serve un cliente multimarca con un'insegna e dentro vende tanti brand, anche in quel caso noi chiediamo dove si trova il cliente, su quale strada, quali sono i brand neighbouring dentro lo stesso negozio, e anche sul marciapiede, qual è la reliability cioè se il cliente paga o non paga, che storia ha, se si tratta della moglie di un imprenditore della telefonia che ha dei soldi vuole aprire un negozio o un conto, se è un negozio storico che ha una sua reputazione è un altro. Quindi anche nel multimarca dove l'insegna lì fuori non è il Liu Jo noi facciamo tutto un percorso di accertamento, a maggior ragione quando la forma prescelta per sviluppare il mercato è un negozio.	At Liu Jo, apart from cases in which the request, the expression of interest in the brand, comes spontaneously from the market, that is, there can always be an interlocutor who, from a country, knocks on our door because, travelling in the territories where we are widely present, he expresses the wish to open a Liu Jo store or a Liu Jo business. So, the scale can be different: from the individual retailer, a potential franchisee, or the importer-distributor who then uses the store opening as a business model to approach the market. I would say that both when the request is spontaneous from the market and, all the more so, when instead we go and explore a market because there is a strategic interest decided centrally by Liu Jo, that is, the markets in which we are present, what the roadmap is to broaden the territorial scope of development, and what it logically makes sense for us to tackle. Because the development operation in every direction, everywhere, is not a strategic logic that pays, because development operations no longer take place from a mere wholesale perspective, that is, I identify a customer, sell him merchandise, and then what happens, happens. This no longer happens and cannot happen, or rather, when you serve a multibrand customer with a signboard and inside he sells many brands, even in that case we ask where the customer is located, on which street, what the brand neighbouring is inside the same store, and also on the sidewalk, what the reliability is, that is, whether the customer pays or does not pay, what history he has, whether it is the wife of a telecommunications entrepreneur who has money and wants to open a store or an account, or whether it is a historic store with its own reputation, that is another matter. So even in multibrand, where the sign outside is not Liu Jo, we carry out a whole process of verification, all the more so when the form chosen to develop the market is a store.
03:07	Allora quindi partendo a bovo, la strategia di sviluppo sui mercati viene un po' decisa condivisa. In questo	So then, starting from the beginning, the development strategy on the markets is somewhat decided and

	momento per esempio i mercati che sono dei grandi assenti nel nostro panorama distributivo sono sicuramente il Regno Unito in Europa, e mercati che possono cambiare la scala del business, proprio fare ingrandire l'azienda ben oltre i 500 milioni che noi rappresentiamo oggi, ci sono sicuramente l'Asia che prima o poi bisognerà attaccare il Far East e le Americhe. Ora in un'ottica di raziocinio economico si stabilisce un ordine di priorità, cioè noi non andiamo dappertutto allo stesso momento. E qual è la logica che ci muove? Sicuramente la rilevanza del mercato ma anche qual è il mercato più logico dove può bastare quello come prodotto noi facciamo oggi. Cioè se io devo andare a vendere in Giappone quasi sicuramente devo fare una collezione dedicata. Non va bene sia dal punto di vista del fit che dal punto di vista della nostra offerta se sei un po' costretto a pensare customizzando l'offerta. Ci sono dei mercati limitrofi a noi dove tu puoi mettere semplicemente a fattor comune quello che tu già offri all'Europa continentale, dove siamo largamente diffusi Russia, Medioriente. L'Inghilterra sicuramente è uno di questi mercati. Dopodiché è un mercato che fa da cassa di risonanza, quindi, è un mercato che ha una rilevanza strategica non solo perché sviluppa fatturati dentro l'Inghilterra ma anche perché essere presenti in Inghilterra è un endorsement per il brand per sviluppi in altri mercati, per esempio l'India. L'India è un mercato che storicamente parte del Commonwealth, guarda come reference market UK, oltre che Dubai che è vicina logisticamente.	shared. At this moment, for example, the markets that are major absentees in our distribution landscape are certainly the United Kingdom in Europe, and markets that can change the scale of the business, really make the company grow well beyond the 500 million that we represent today, there is certainly Asia, which sooner or later will have to be tackled, the Far East, and the Americas. Now, from a perspective of economic rationality, an order of priorities is established, that is, we do not go everywhere at the same time. And what is the logic that drives us? Certainly, the relevance of the market, but also which is the most logical market where what we do today as product may be enough. That is, if I have to go and sell in Japan, almost certainly I have to make a dedicated collection. It does not work, both from the point of view of fit and from the point of view of our offer, if you are somewhat forced to think by customizing the offer. There are markets close to us where you can simply pool what you already offer to continental Europe, where we are widely present: Russia, the Middle East. England is certainly one of these markets. After that, it is a market that acts as a sounding board, so it is a market that has strategic relevance not only because it develops turnover inside England, but also because being present in England is an endorsement for the brand for developments in other markets, for example India. India is a market that, historically part of the Commonwealth, looks to the UK as a reference market, as well as Dubai, which is logistically close.
05:18	Quindi per rispondere precisamente alla tua domanda, non si va con una prospettiva "andiamo a raccogliere dove capita" ma per dosare bene le risorse che sono la disponibilità delle persone e anche le misure di investimento, perché aprire un mercato non significa solo vendere significa dal momento zero porsi una prospettiva di investire, per esempio sul marketing. Quindi si decide con una logica strategica la progressione dei mercati in cui andare ad operare.	So, to answer your question precisely, we do not go with a perspective of "let's go and collect wherever it happens", but in order to measure resources well, which are the availability of people and also the levels of investment, because opening a market does not mean only selling; it means, from moment zero, adopting a perspective of investing, for example in marketing. So, the progression of the markets in which to operate is decided with a strategic logic.
05:53	Per scendere poi con quale modello di business lo facciamo, ovviamente ci sono delle città che classicamente si dice in gergo di primo tier, di primo	Then, to go down to which business model we do it with, obviously there are cities that, classically, in the jargon, are called first-tier, first-level cities, where the

	livello, dove la struttura del costo del negozio non ha spazio per rinserire anche un intermediario. Cioè va da sé che quando noi lavoriamo e incassiamo direttamente, cioè abbiamo un DOS (negozio diretto) il margine per l'azienda ha più spazio perché tu incassi dal negozio, dal cliente finale e sei responsabile di tutti i costi. Se tu in mezzo ci devi mettere anche un intermediario, cioè un franchisee, devi prevedere una misura di remunerazione anche per il franchisee quindi nelle città e nelle postazioni di primo tier, che sono i cosiddetti flagship, cioè le location strategiche che hanno un senso non solo economico nella logica che ti ho appena detto ma anche proprio perché sono una rappresentanza assolutamente visibile, spendibile del brand cerchiamo di presidiarle direttamente. Mentre nelle città di second tier quindi città di provincia dove il partner può essere anche più forte di noi, cioè in quella provincia il partner ha già una reputazione lui come negoziante per cui rappresenta lui stesso una destination e la catena del valore è tale per cui possiamo prevedere anche una guadagno per il franchisee, e questo tipicamente succede quando fare dei negozi costa di meno, perché sai investire a Londra o a Milano o a Roma o Berlino e così via, tu hai una struttura di costo che riguarda soprattutto l'affitto, sicuramente	cost structure of the store has no room to insert an intermediary as well. That is, it goes without saying that when we work and collect takings directly, that is, we have a DOS (directly operated store), the margin for the company has more room because you collect from the store, from the end customer, and you are responsible for all costs. If in the middle you also have to put an intermediary, that is, a franchisee, you have to provide for a level of remuneration also for the franchisee; so in first-tier cities and sites, which are the so-called flagships, that is, the strategic locations that make sense not only economically, in the logic I have just explained to you, but also precisely because they are an absolutely visible, accessible representation of the brand, we try to oversee them directly. Whereas in second-tier cities, therefore provincial cities where the partner may be even stronger than us, that is, in that province the partner already has a reputation as a retailer, so he himself represents a destination, and the value chain is such that we can also provide for a profit for the franchisee, and this typically happens when opening stores costs less, because, you know, investing in London or Milan or Rome or Berlin and so on, you have a cost structure that concerns above all rent, certainly,
08:04	ma l'avviamento cioè il cosiddetto goodwill quando tu subentri in una location commerciale che è su un'arteria di traffico significativa per il fashion normalmente si paga un key money, cioè non entri soltanto pagando l'affitto ma chi c'è stato prima che ha fatto in modo di valorizzare quella location e di sostanzialmente passarti un avviamento, cioè quella location è capace grazie al traffico che ha generato fino ad allora al fatto che su quel marciapiede rappresenta una destination, prima c'era Sandro oggi c'è Liu Jo, la gente è abituata ad andarci questa cosa rappresenta un valore è un valore immateriale, un asset immateriale che si chiama key money tecnicamente o avviamento o goodwill. Quindi sostanzialmente quando io devo entrare a Lisbona nella strada principale dove sono tutti in fila i miei peers, ci sarà in quasi 100% dei casi da pagare l'avviamento. Questo avviamento non lo paga un franchisee perché non se lo speserebbe mai, i contratti di franchising sono a tempo, hanno un tempo limitato. Invece per l'azienda	but key money too, that is, the so-called goodwill: when you take over a commercial location that is on a significant traffic artery for fashion, normally key money is paid, that is, you do not enter only by paying the rent, but the person who was there before, who made that location valuable and essentially passes on key money (goodwill) to you, that is, that location is capable, thanks to the traffic it has generated until then, to the fact that on that sidewalk it represents a destination, before there was Sandro, today there is Liu Jo, people are used to going there, this represents a value, it is an intangible value, an intangible asset that is technically called key money, or goodwill. So essentially, when I have to enter Lisbon on the main street where all my peers are lined up, in almost 100% of cases there will be key money to pay. This key money is not paid by a franchisee because he would never expense it; franchising contracts are fixed term, they have a limited term. Instead, for the company,

	pagare l'avviamento significa che io pago l'avviamento, considero l'avviamento un investimento in attesa di riannizzo, cioè che significa che se io quel negozio lo porto, lo faccio crescere, quando lo vado a rivendere perché magari voglio cambiare città, se ho fatto bene il valore dell'avviamento è cresciuto, cioè se ho pagato 100 nel momento di ingresso nel momento di uscita perché magari voglio ingrandire il negozio andare su un'altra strada riesco a negoziare con quello che arriva dopo dicendo un negozio aveva questo tipo di traffico e io ho pagato all'ingresso questo key money, quindi quando io avrò fatto funzionare il negozio in un certo modo alla uscita da quel negozio posso chiedere un avviamento che non è 100 per 110, perché ho come dimostrato che quell'area io l'ho qualificata col mio business e quindi il valore di produrre turnover e reddito è aumentato, è cresciuto nel tempo.	paying key money means that I pay the key money, I consider the key money an investment awaiting recovery, that is, it means that if I take that store, I make it grow, when I go to resell it because perhaps I want to change city, if I have done well the value of the key money has grown; that is, if I paid 100 at the moment of entry, at the moment of exit, because perhaps I want to enlarge the store or go to another street, I can negotiate with the one who comes after, saying a store had this type of traffic and I paid this key money on entry, so when I have made the store work in a certain way, on exit from that store I can ask for key money that is not 100 but 110, because I have, as it were, demonstrated that I qualified that area with my business and therefore the value of producing turnover and income has increased, it has grown over time.
11:03	Quindi il discriminante fondamentale è un discriminante economico per la scelta tra DOS e franchising. Diciamo che viste come operazioni singole su una città, come scelgo tra DOS e franchising, il discriminante è la capacità di sostenere una catena del valore, quindi la sostenibilità economica nell'uno e nell'altro caso. Va da sé che quindi questo coincide col fatto che tutte le città di primo livello i crocevia internazionali del traffico della moda sono gestiti direttamente senza eccezione; mentre nelle città più piccole dove abbiamo un conto economico più sostenibile per un partner terzo quindi c'è possibilità di far guadagnare anche un terzo e in aggiunta a questo il fatto che il partner in quella location è conosciuto, è una destination, io come azienda ci guadagno a far lavorare lui perché lui è più capace di me sulla country o su quella location in particolare ad affrontare il mercato locale, lo conoscono più di quanto conoscono me. Quindi in quel caso ha valore il fatto che affidiamo ad un franchising la creazione del negozio	So, the fundamental discriminating factor is an economic discriminating factor for the choice between DOS and franchising. Let’s say that, seen as single operations in a city, how do I choose between DOS and franchising? The discriminating factor is the ability to sustain a value chain, therefore economic sustainability in one case and in the other. It goes without saying that this therefore coincides with the fact that all first-tier cities, the international crossroads of fashion traffic, are managed directly without exception; whereas in smaller cities where we have a profit and loss account (P&L) that is more sustainable for a third-party partner, so there is the possibility of allowing a third party to earn as well, and in addition to this the fact that the partner in that location is known, is a destination, I as a company gain by having him work because he is more capable than me in the country or in that specific location of approaching the local market, they know him more than they know me. So, in that case there is value in the fact that we entrust the creation of the store to franchising.
12:23	Poi ci sono territori come per esempio l’Arabia Saudita, dove oggi come oggi ci sono ancora delle formali barriere all'ingresso per cui anche volendo aprire dei negozi diretti ci sono dei vincoli macroeconomici che per quanto il paese si stia liberalizzando sono ancora esistenti. Cioè se io come azienda europea volessi, ma anche attraverso la mia sede di Dubai tanto il	Then there are territories such as Saudi Arabia, where, as things stand today, there are still formal barriers to entry, so that even if we wanted to open directly operated stores, there are macroeconomic constraints which, although the country is liberalizing, still exist. That is, if I as a European company wanted, even through my Dubai office, since in any case the owner is

	proprietario è sempre europeo, volessi intervenire direttamente in Arabia Saudita avrei dei vincoli, che sono il deposito di 8 milioni di dollari fintanto che il business dura presso le banche statali del KSA, il vincolo ad assumere tutta una serie di commesse locali, io non posso portare le commesse da fuori che hanno expertise eccetera. Qual è la razionale dietro questo caso specifico? Che il governo dell'Arabia Saudita che si sta aprendo al mondo da una parte dichiara questo, dall'altro vuole fare in modo che non avvenga una vera e propria colonizzazione, pretende una colonizzazione che aiuti e supporti il paese a crescere, che non vada e prenda, ma che tu stai lì ti comporti in un certo modo, rispetti anche la sharia e così via. Quindi in Arabia Saudita abbiamo preferito intercettare un partner che ha un contratto di master franchisee cioè delle condizioni in base alle quali lui acquista la merce e poi crea dei negozi, apre dei negozi ad insegna Liu Jo, a seconda delle regole che noi prestabiliamo e scriviamo in un contratto.	still European, to intervene directly in Saudi Arabia, I would have constraints, which are the deposit of 8 million dollars for as long as the business lasts with the state banks of KSA, the constraint to hire a whole series of local sales assistants; I cannot bring in sales assistants from outside who have expertise, and so on. What is the rationale behind this specific case? That the government of Saudi Arabia, which is opening up to the world, on the one hand declares this, and on the other wants to make sure that a real colonization does not take place; it requires a colonization that helps and supports the country to grow, that does not go there and take, but that you stay there, behave in a certain way, also respect sharia, and so on. So, in Saudi Arabia we preferred to identify a partner who has a master franchisee contract, that is, conditions on the basis of which he purchases the merchandise and then creates stores, opens stores under the Liu Jo sign, according to the rules that we pre-establish and write in a contract.
14:08	In questo caso il partner è locale?	In this case, is the partner local?
14:08	È totalmente locale totalmente di diritto saudita, è una compagnia saudita.	It is entirely local, entirely under Saudi law; it is a Saudi company.
14:51	È avvenuto in passato un cambiamento di modello? Quindi ad esempio da wholesale o distributore diretto?	Has there been a change of model in the past? So, for example, from wholesale or direct distributor?
15:10	Allora intanto ti completo il tema dell'Arabia Saudita perché è molto interessante. Siccome l'Arabia Saudita idealmente nella testa del nostro imprenditore, e come dargli torto, noi lavoriamo a Dubai con un'attività diretta e quindi lui aveva pensato di andare direttamente anche nell'Arabia Saudita perché a Dubai guadagniamo molto. Però c'erano questi impedimenti, lui intanto all'inizio è stato molto scettico non si fidava, io ho dovuto produrre ovviamente la documentazione, sai queste sono regole non scritte in azienda che un giorno vi trovaste anche voi, vi trovereste ad affrontare la stessa situazione, io mi sono fatta produrre delle consulenze che lo hanno convinto, che ahimè non si poteva andare direttamente, quindi poi ho cominciato la ricerca del partner, però il mondo può cambiare. Quindi io che cosa ho scritto nel contratto che ho fatto con questo partner, ho scritto che alla scadenza del contratto che ha quattro anni rinnovabili per altri quattro, qualora le circostanze macroeconomiche siano cambiate, quindi noi possiamo	So, first of all, I will complete the Saudi Arabia topic for you, because it is very interesting. Since Saudi Arabia was, ideally, in the mind of our entrepreneur—and how can you blame him? —we operate in Dubai with a direct operation, and therefore he had thought of going directly into Saudi Arabia as well, because in Dubai we earn a lot. But there were these impediments; at the beginning he was very sceptical, he did not trust it. I obviously had to produce the documentation; you know, these are unwritten rules in the company, and if one day you too found yourselves in this situation, you would find yourselves facing the same thing. I had consultancy reports produced that convinced him that, alas, it was not possible to go directly, so then I began the search for the partner, but the world can change. So, what did I write in the contract that I made with this partner? I wrote that at the expiry of the contract, which is four years renewable for another four, if the macroeconomic circumstances have changed, and

	intervenire o lo volessimo fare con tutti i vincoli, noi abbiamo stabilito che ci ricomperiamo il business e abbiamo già stabilito nel contratto le condizioni di buy back, cioè di riacquisto del business, abbiamo stabilito come alla scadenza del contratto andremo a valutare il lavoro che si sarà fatto a quell'epoca, come lo peseremo economicamente e come lo pagheremo, quindi diciamo se tu all'epoca scadendo il contratto e non volendolo rinnovare, noi abbiamo un'opzione di riacquisto prima di chiunque altro tu non puoi offrirlo ad altri o di offrire a noi, e le condizioni che le scriviamo subito, andremo a valorizzare il fatturato dei negozi, quello che produrrà con l'epoca in base a questo, considereremo lo stato degli arredi, se sono mobili che vale la pena comprare o no, gli avviamenti eccetera eccetera attribuiremo questi indici di valorizzazione e quindi ti pagheremo secondo questi criteri, abbiamo scritto i criteri con cui andremo a fare la valutazione e poi la determinazione del quantum. Quindi questo è quello che abbiamo scritto in Arabia Saudita. Avviene normalmente che un caso per esempio le affiliazioni, che è un altro modello di business ancora diverso, potrei dire intermedio tra il franchising e l'operazione completamente diretta, l'affiliazione parte dal presupposto che la partnership sia un po' più stretta con l'affiliato ed è un accordo che prevede un'attività più pervasiva da parte di Liu Jo, come sai un franchising compra merce ed opera in nome proprio conto sotto l'insegnare Liu Jo, quindi con delle regole. Invece con l'affiliazione l'affiliato mette a disposizione il locale ed è lui che paga l'avviamento, paga l'affitto, mette a disposizione il personale ed è lui che paga e la proprietà della merce invece è nostra, noi mettiamo a disposizione la merce e tutto quello che non si vende viene restituito alla fine della stagione, ci riprendiamo l'invenduto, sai è un grande vantaggio perché per i negozianti l'invenduto è un bel peso sull'economia della stagione. Però com'è che ci diamo i guadagni? Siamo veramente soci, cioè l'incassato del mese viene diviso tra noi e il dettagliante secondo una razionale, cioè lui non paga il valore della merce ma quello che mette in cassa lo dividiamo in un certo modo, questo modo 51% Exelite, 49% partner, oppure 48% e 52%, questo viene valutato al momento in cui noi facciamo un conto economico, cioè simuliamo il negozio, assumendo tutti i suoi costi, mettiamo giù un	therefore we can intervene, or if we wanted to do so subject to all the constraints, we established that we buy back the business and we have already established in the contract the buy-back conditions, that is, the repurchase of the business. We established how, at the expiry of the contract, we will assess the work that will have been done at that time, how we will weight it economically and how we will pay for it. So, let’s say, if at that time, when the contract expires and not wanting to renew it, we have a buy-back option before anyone else: you cannot offer it to others instead of offering it to us, and we write the conditions down immediately. We will value the turnover of the stores, what it will produce at that time; based on this, we will consider the condition of the furnishings, whether they are pieces of furniture worth buying or not, the key money (goodwill), etcetera, etcetera. We will assign these valuation indices and therefore we will pay you according to these criteria. We wrote the criteria with which we will carry out the assessment and then the determination of the quantum. So, this is what we wrote in Saudi Arabia. It normally happens that—one case, for example, is affiliations (consignment-based partnerships), which are another business model, different again; I could say intermediate between franchising and the completely direct operation. Affiliation starts from the assumption that the partnership is a little closer with the affiliate, and it is an agreement that provides for a more pervasive activity by Liu Jo. As you know, a franchisee buys merchandise and operates in its own name and on its own account under the Liu Jo sign, therefore with rules. Instead, with affiliation, the affiliate makes the premises available, and it is he who pays the key money, pays the rent, provides the staff and pays for them, while ownership of the merchandise, instead, is ours. We make the merchandise available and everything that is not sold is returned at the end of the season; we take back the unsold stock. You know, it is a great advantage, because for retailers unsold stock is quite a burden on the economics of the season. But how is it that we allocate the earnings? We are truly partners; that is, the month’s takings are divided between us and the retailer according to a rationale. That is, he does not pay the value of the merchandise, but what he puts in

	conto economico, proprio un prospetto di costi e ricavi e diciamo, allora idealmente su quella piazza lì stando con la struttura di costo dell'affitto, le persone che ci vogliono e il fatturato dei brand che gli sono vicini a quel negozio, possiamo generare questo fatturato in fondo, se generiamo questo fatturato e la merce ce la mettiamo noi e lui mette questi altri costi, come dobbiamo dividere i guadagni a fine mese per fare in modo che lui abbia la sua parte di remunerazione e noi la nostra? Quindi abbiamo delle formule naturalmente con i controller, mettiamo appunto questo conto che agisce da metro di misura sull'operazione che ci dice se è un'affiliazione o no.	the till we divide in a certain way: this way, 51% Exelite, 49% partner, or 48% and 52%. This is assessed when we prepare a profit and loss account (P&L), that is, we simulate the store, assuming all its costs. We put down a profit and loss account, really a schedule of costs and revenues, and we say: then, ideally, in that location there, given the cost structure of the rent, the people needed and the turnover of the brands that are near that store, we can generate this turnover, basically. If we generate this turnover and we provide the merchandise and he covers these other costs, how should we divide the earnings at the end of the month so that he has his share of remuneration and we have ours? So naturally, with the controllers, we have formulas; we fine-tune this account that acts as a yardstick for the operation, which tells us whether it is an affiliation or not.
20:52	Cosa ci consente l'affiliazione? Che essendo una merce nostra, noi possiamo intervenire molto nell'acquisto, gli ordini praticamente li guidiamo noi, possiamo intervenire molto nella gestione del negozio perché la merce è di proprietà nostra e è una vera e propria parte, ci sono affiliati che non se ne importano neppure, nel senso che si fidano del lavoro che facciamo noi, perché è per il bene, cioè è pro bonis quello che facciamo, facciamo per funzionare e per funzionare significa funzionare entrambi, non solo avere un rispetto del marchio ma avere più fatturato in fondo da poterci dividere. Noi abbiamo tutte le best practices che ci derivano dalla gestione di una rete di 250 negozi, quindi sappiamo cosa sta funzionando, magari siamo a Toulouse e sappiamo cosa sta funzionando in un'altra città francese, che magari può essere una practice che applichiamo a Toulouse.	What does affiliation (consignment-based partnership) allow us to do? Since the merchandise is ours, we can intervene a great deal in the purchase; we practically guide the orders ourselves. We can intervene a great deal in the management of the store because the merchandise is our property and it is a real part of it. There are affiliates who do not even bother with it, in the sense that they trust the work we do, because it is for the good; that is, what we do is pro bonis, we do it to make it work, and making it work means making it work for both parties, not only respecting the brand but, in the end, having more turnover to divide between us. We have all the best practices that come from managing a network of 250 stores, so we know what is working; perhaps we are in Toulouse, and we know what is working in another French city, which perhaps may be a practice that we apply in Toulouse.
21:54	Quindi capita continuamente, per esempio sono stata a Vienna l'altro giorno presso l'affiliato di Vienna e ora stiamo subentrando direttamente, può succedere perché l'affiliato decide di cambiare business o perché entra in breach dell'accordo, per esempio a fine mese quando ha incassato, la cassa letteralmente va presa e divisa fra lui e noi, però c'è chi non ti paga, si trattiene tutto il guadagno perché magari non paga l'affitto da un bel po' e lo spetta lui e usa la cassa per pagare l'affitto, lì va in breach di contratto, però noi ci dobbiamo preoccupare	So, it happens all the time. For example, I was in Vienna the other day at the Vienna franchisee's, and now we are stepping in directly. It can happen because the franchisee decides to change business, or because he enters into breach of the agreement. For example, at the end of the month, once he has taken the money, the cash takings literally have to be taken and divided between him and us. But there are some who do not pay you; they keep all the takings because perhaps they have not been paying the rent for quite some time, and it is their

	di capire perché sta succedendo questa cosa, quindi una volta due o tre e al secondo mese il ritardo sul nostro incassato, alziamo la mano e diciamo, senti, oltre ad essere andato in breach di contratto, qui c'è qualcosa che non va, cosa succede? Non stai pagando i dipendenti, cosa ci fai con questi soldi? E quindi in quel caso, per esempio a Vienna, che era una situazione analoga, l'affiliato ha perso l'interesse a gestire il business con noi e diventerà un business diretto.	responsibility, and they use the cash takings to pay the rent. There he goes into breach of contract. But we must concern ourselves with understanding why this is happening. So once, twice or three times, and by the second month of delay on our share of the takings, we raise our hand and say: listen, besides having gone into breach of contract, something is not right here; what is happening? Are you not paying the employees? What are you doing with this money? And therefore, in that case, for example in Vienna, which was an analogous situation, the franchisee lost interest in managing the business with us, and it will become a direct business.
23:16	Per quanto riguarda il trovare un franchisee adatto, che cosa cercate di solito?	As regards finding a suitable franchisee, what do you usually look for?
23:31	Sì, allora, intanto la prima questione in assoluto è, come per tutti noi, il fatto che quel mestiere deve averlo già fatto, perché appunto la classica moglie dell'imprenditore che ha tanti soldi e ha voglia di aprire un negozio Liu Jo, normalmente la storia dimostra che non funziona, a meno che non abbia i soldi per comprarsi un team coeso che viene da esperienze retail. Cioè la prima cosa è che quel mestiere di franchisee, di gestore di negozio, debba averla già fatta, possibilmente in generale, ma possibilmente nel fashion e meglio ancora nel segmento premium donna. Quindi una reputazione e un'esperienza sul business specifico. Dopodiché l'altro aspetto che conta è la affidabilità economico-finanziaria dell'azienda, cioè noi verifichiamo che abbia una reputazione anche storicamente, che non ci siano indagati, sia un buon pagatore. Tutte questioni che con un service vari si possono andare ad appurare. Terza cosa è che abbia una visione condivisa del business Liu Jo, per cui nel momento in cui ci prospetta il business, il business è concepito non solo per generare un'occasione di guadagno per lui, ma che abbia molto chiaro che quel negozio con cui insegna Liu Jo è un'operazione che va a favore di quella che noi chiamiamo brand equity, cioè il valore del brand. Perché alla fine a noi non interessa solo fatturare, ma interessa mantenere Liu Jo e quello che il brand significa come un brand che porta valore. Quindi ogni operazione di franchising non deve essere solo una mera occasione per procacciarci dell'occasione di ricavo, ma anche un'occasione per dare più valore al	Yes, well, first of all the absolute first issue is, as for all of us, the fact that they must already have done that job, because, precisely, the classic entrepreneur’s wife who has a lot of money and wants to open a Liu Jo store, normally history shows that it does not work, unless she has the money to buy herself a cohesive team that comes from retail experience. That is, the first thing is that that job of franchisee, of store manager, must be something they have already done, preferably in general, but preferably in fashion and better still in the women’s premium segment. So, a reputation and experience in the specific business. After that, the other aspect that matters are the economic and financial reliability of the company, that is, we verify that it also has a historical reputation, that there are not people under investigation, that it is a good payer. All issues that can be ascertained with various services. The third thing is that it has a shared vision of the Liu Jo business, so that when it presents the business to us, the business is conceived not only to generate an opportunity for profit for them, but that it is very clear to them that that store with the Liu Jo sign is an operation that contributes to what we call brand equity, that is, the value of the brand. Because in the end we are not only interested in turnover, but we are interested in maintaining Liu Jo and what the brand means as a brand that brings value. So, every franchising operation must not be merely an opportunity to obtain revenue for ourselves, but also an opportunity to give more value to the brand. So, the business plan shared with the

	brand. Quindi il business plan condiviso con il franchising sia tale da non danneggiare il brand, ma aiutarci a mettere un'altra bandierina a presidio della reputazione del brand. Direi che questi sono i criteri.	franchisee should be such as not to damage the brand, but to help us place another flag to safeguard the reputation of the brand. I would say these are the criteria.
26:01	Per quanto riguarda la struttura economica del contratto, so che il franchisee compra la merce ed è sua, e poi dopo ci sono delle royalties o delle fees?	As regards the economic structure of the contract, I know that the franchisee buys the merchandise and it is his, and then after that are there royalties or fees?
26:19	Nel caso di Liu Jo noi non crediamo. Molti franchising, speciale il lusso, chiedono, cioè la società come Liu Jo chiederebbe anche una royalty per l'utilizzo del marchio. Noi non la chiediamo e non è in uso nel segmento premium, è più lusso. Ad esempio, aderire al network di Vuitton, tu franchisee ricevi continuamente una promozione di quel brand che la società corporate fa a prescindere. Cioè tu diventi affiliato di un network dove qualcuno al tuo posto fa tutti i giorni comunicazione e partecipi con quella royalty.	In Liu Jo's case, we do not believe so. Many franchising arrangements, especially luxury, ask for it; that is, a company like Liu Jo would also ask for a royalty for the use of the brand. We do not ask for it, and it is not used in the premium segment; it is more luxury. For example, by joining the Vuitton network, you as a franchisee continually receive promotion of that brand, which the corporate company carries out regardless. That is, you become a franchisee of a network where someone in your place does communication every day, and you participate with that royalty.

Appendix B – Interview guide

The interview guide was prepared and administered in Italian; English translations are provided for the reader. The guide was adapted across the two interviews according to the interviewee's role and the topics covered.

A1. Qual è l'approccio di Liu Jo verso l'espansione internazionale?

> What is Liu Jo's approach to international expansion?

A2. Quando Liu Jo entra in un nuovo mercato, quali decisioni vengono prese? Chi è coinvolto? Quali dati vengono utilizzati? Quanto dura?

> When Liu Jo enters a new market, what decisions are made? Who is involved? What data are used? How long does it take?

A3. Come decide Liu Jo se aprire un DOS, un franchising o la distribuzione all'ingrosso? (criteri espliciti vs caso per caso; esempio franchising e perché; esempio gestione diretta e cosa è stato diverso; ruolo di un forte partner locale)

> How does Liu Jo decide whether to open a DOS, a franchising store, or wholesale distribution? (explicit criteria vs. case by case; a franchising example and why; a direct-operation example and what was different; role of a strong local partner)

A4. Quali sono i criteri per scegliere un buon partner di franchising?

> What are the criteria for choosing a good franchising partner?

A5. Ci sono mercati che sono passati da DOS a franchising o viceversa? Cosa ha causato il cambiamento?

> Are there markets that have shifted from DOS to franchising or vice versa? What caused the change?

A6. Mercati come il Medio Oriente: come li ha approcciati Liu Jo? Il processo di ingresso differisce da quello europeo?

> Markets such as the Middle East: how has Liu Jo approached them? Does the entry process differ from the European one?

B1. Quali strumenti e linee guida fornisce Liu Jo ai franchisee per garantire la coerenza del brand?

> What tools and guidelines does Liu Jo provide to franchisees to ensure brand coherence?

B2. Come monitora Liu Jo il rispetto effettivo di queste linee guida?

> How does Liu Jo monitor actual compliance with these guidelines?

B3. Visual merchandising e presentazione del negozio: quanto è prescrittivo l'approccio vs la libertà creativa concessa?

Visual merchandising and store presentation: how prescriptive is the approach vs the creative freedom granted?

B4. Quali sono le aree in cui i franchisee deviano più frequentemente dagli standard?

Which are the areas in which franchisees most frequently deviate from the standards?

B5. Come si bilancia la coerenza del brand con l'adattamento ai mercati locali?

How is brand coherence balanced with adaptation to local markets?

B6. Qual è la sfida principale nel mantenere l'identità del brand attraverso una rete internazionale in franchising?

Which is the main challenge in maintaining brand identity across an international franchising network?

B7. Come funziona il processo commerciale/acquisti per i negozi internazionali?

How does the commercial/buying process work for the international stores?

B8. Quanta libertà ha un franchisee nella scelta dei prodotti e nelle quantità?

How much freedom does a franchisee have in the choice of products and in the quantities?

B9. Ci sono differenze sistematiche tra ciò che acquistano i franchisee e l'assortimento DOS?

Are there systematic differences between what the franchisees buy and the DOS assortment?

B10. Come funziona il processo di sconti e saldi: franchising vs DOS?

How does the process of discounts and end-of-season sales work: franchising vs DOS?

B11. Avviene un adattamento dell'offerta di prodotto in mercati con preferenze molto diverse (Medio Oriente vs Europa meridionale)?

Does an adaptation of the product offer take place in markets with very different preferences (Middle East vs Southern Europe)?

B12. Da un punto di vista commerciale, quale canale è più redditizio – DOS, franchising o wholesale – e perché?

From a commercial point of view, which channel is the most profitable – DOS, franchising, or wholesale – and why?

C4. Quali sono le richieste più frequenti che ricevete dai franchisee? Su cosa insistono di più?

What are the most frequent requests you receive from franchisees? What do they insist on most?

C5. I franchisee vi hanno mai chiesto di adattare qualcosa per il loro mercato locale?

Have the franchisees ever asked you to adapt anything for their local market?

C6. Secondo la sua esperienza, cosa vorrebbero i franchisee che attualmente non hanno? Cosa chiederebbero se potessero cambiare una cosa del rapporto con Liu Jo?

In your experience, what would franchisees like that they currently do not have? What would they ask for if they could change one thing about the relationship with Liu Jo?