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[Original Article]

Fast-fashion retailers
- Types of online-based internationalization -

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Abstract

This study identified types of online retail internationalization in the fast-fashion context and proposed driving factors of retailers' choices in online-based market entry following the logic of the Uppsala model and the eclectic theory. In particular, this study proposes three types of online-based internationalization: 1) entering a host market with a physical store first, and then expanding with an online store, 2) entering a foreign market with an online store, then expanding to physical stores, and 3) entering only with an online business. In addition, this study investigated the causal factors, ownership-specific and location advantages, that influence the choice of the type of developmental process of online-based internationalization. To develop theoretical and managerial insights into the issue researched, this study employed a qualitative research design involving case studies of three European fast-fashion retailers, H&M, TOPSHOP, and ASOS. This study suggested that fast-fashion retailers that enter a host market with high ownership-specific advantages are likely to choose to enter the market with physical stores and then expand with online stores. On the other hand, when faced with uncertainties attributable to low ownership-specific or location advantages, fast-fashion retailers are likely to choose to enter with an online store first and then expand with physical stores as conditions change. Consequently, this study provides a better understanding for fast-fashion retailers who are willing to expand their businesses to foreign markets via online stores.

Keywords: fast-fashion, Uppsala model, eclectic theory, internationalization

I. Introduction

Fast-fashion retailers, which by their very nature are global retailers, expand internationally to compete for market share and sustain growth (Runfola & Guercini, 2013). Anecdotal evidence suggests that these retailers use online stores in different stages of their efforts to expand internationally. For example, H&M first entered the United States market using physical stores in March 2000 and then opened an online store in August 2013, while TOPSHOP began to ship products purchased in an online store to the United States in 2000 and then opened its first physical store in New York in April 2009. This raises a question: Why do global fast-fashion

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retailers adopt online-based internationalization during different stages of expansion?

Companies may enter or expand their markets through online-based internationalization for diverse reasons. They can reduce uncertainties (demand uncertainty, unique country risks, increased time- and quality-based competition, and cultural distance; Overby & Min, 2001) and resource-related costs (firm's interaction and location insensitive costs; Berry & Brock, 2004) in internationalizing via online stores. In addition, they can respond to customers' demands in broader areas via online outlets where their demands might not be as great as opening physical stores that require high investment. Because there are different reasons for online-based internationalization, companies choose different developmental processes to do so.

Although a great number of studies has investigated online-based internationalization in the general firm context (e.g., Berry & Brock, 2004; Overby & Min, 2001), no previous study has categorized its types in the retailing context (Forsgren & Hagström, 2007). Thus, this study proposes online-based internationalization in the fast-fashion retail context as an expansion stage, following the logic of the Uppsala model (Johanson & Vahlne, 1977, 2003) and the eclectic theory (Dunning, 1980). In particular, this study proposes three types of online-based internationalization: 1) entering a host market with a physical store first, and then expanding with an online store, 2) entering a foreign market with an online store, then expanding to physical stores, and 3) entering only with an online business. This study also investigated the causal factors that influence the choice of the type of developmental process of online-based internationalization. Consequently, this study provides a better understanding for fast-fashion retailers who are willing to expand their businesses to foreign markets via online stores.

II. Theoretical Framework

1. Uppsala internationalization process model

The Uppsala internationalization process model, which also is referred to as the stages model, has been used widely to explain the internationalization process. The model assumes that the lack of knowledge about, and experience with, foreign markets are barriers to internationalization, and such knowledge can be learned by gaining experience operating in foreign markets. Further, firms hesitate to expand their markets abroad and thus expand their operations incrementally because of market uncertainty. The accumulation of experience in relation to foreign markets reduces uncertainty and internationalization's perceived risk (Camuffo, Furlan, Romano, & Vinelli, 2006; Forsgren, 2002; Johanson & Vahlne, 1977).

Because of these barriers to internationalization, this model treats internationalization as an incremental process (Johanson & Vahlne, 1977). For example, in the non-retail context, firms begin with exports via an agent, develop their international sales organizations over time, and then move the physical elements of their operations to the new market. In addition, firms expand their operation first to a neighboring country that is close to their domestic market both physically and culturally. Then, they expand to countries that are farther away as the firm accumulates international experiences. Thus, firms shift from a simpler to a more complex stage of internationalization (Cavusgil, 1984).

Despite the widespread adoption of this model that proposes that international expansion is an evolutionary series of sequential stages, there have been controversial arguments, particularly related to online internationalization (Bennett, 1997; Forsgren & Hagström, 2007; Overby & Min, 2001). Online-based international expansion that allows rapid internationalization contradicts the stages model, which assumes that it is a gradual and incremental process (e.g., Axinn & Matthyssens, 2002; Bennett, 1997). Bennett (1997) argued that the online platform removes all physical constraints, and permits the instant establishment of virtual branches globally. The online platform also allows firms to enter the foreign market directly and immediately. Forsgren and Hagström (2007) also argued that the major assumption of incremental behavior cannot explain online-based companies' internationalization business because the online internationalization process appears to be fast and discontinuous. Thus, these previous studies have argued that businesses do not necessarily internationalize in this manner, and the stages models fail to recognize global businesses established online.

Although previous studies have argued that the stages model is inappropriate to explain global firms' internationalization online (Axinn & Matthyssens, 2002; Bennett, 1997; Forsgren & Hagström, 2007), this study takes into consideration online internationalization as one of the developmental processes of internationalization rather than simply one time simultaneous expansion. Thus, knowledge could be acquired more rapidly by entering the online market rather than by expanding with physical stores, but the process of acquiring more knowledge about the foreign market and increasing the number of stores (either physical or online store) might still exist in the developmental process of online-based internationalization.

By applying the Uppsala model to online internationalization, this study classified global retailers' developmental process of online internationalization according to three types: 1) entering the foreign market with physical stores first, and then expanding to online stores; 2) entering the foreign market online, then expanding to physical stores, and 3) maintaining only online stores. The first type refers to retailers who enter the foreign market with physical stores first and then build websites to expand their operation. This type of expansion process from physical to online stores is a type of geographical diversification (Prllegrini, 1994). By opening both an online and physical store, retailers can respond to their customers' needs by covering a wider area. The second type refers to retailers who enter a foreign country's online market first, for example, by simply shipping their products to a wider area abroad. Then, if they find strong potential markets that are sufficiently large in which to invest, they expand their stores physically. Lastly, the third type refers to retailers who maintain their business only online in their internationalization; companies of this type may have strong internal and external barriers to enter the foreign market physically.

2. Eclectic theory

To identify the causal factors in global retailers' online-based internationalization across the three types of developmental processes justified above, this study applied the eclectic theory. Dunning (1980) developed the eclectic theory to explain the choice of entry modes, such as licensing (franchising), entering into a joint venture, and setting up a wholly owned subsidiary. According to the eclectic theory, international business expansion can be explained by ownership-specific and location advantages.

Ownership-specific advantages indicate firms' inherent ability to generate assets to compete with other retailers in a host market (Dunning, 1988). In the context of retailing, ownership-specific advantages include three dimensions, outstanding retail concept, strong private brand concept, and operational and management capabilities (Park & Sternquist, 2008). The outstanding retail concept is comprised of the unique retail brand image, retail facilities, and service offered (Park & Sternquist, 2008). The strong private brand concept refers to the case in which brands retailers manage or own have high brand equity. The operational and management capabilities reflect a retailer's multinational experiences and superior supply chain management that is responsive to market demands and differences (Park & Sternquist, 2008; Vida, Reardon, & Fairhurst, 2000). Previous studies have proposed that retailers who have greater ownership-specific advantages are likely to choose a high investment and involvement entry mode (e.g., wholly owned entry mode; Sternquist, 2007).

Location advantages refer to a target market's attractiveness (Dunning, 1988). Prllegrini (1994) identified location advantages in the retail context as cultural proximity, market size, competitors' moves, physical proximity, and low-cost land and labor. Several prior studies have argued that similarity among locations is an irrelevant concern for global retailers (e.g., Park & Sternquist, 2008; Sternquist, 2007). However, despite their intent to pursue standardized practices, global retailers may conform to a target market's cultural norms (i.e., food) or government regulations, in which case some adaptations become necessary.

According to the eclectic theory, we posited that fast-fashion retailers' different degrees of ownership-specific advantages and a host countries' different location advantages determine the developmental process of online-based internationalization. Consequently, retailers who engage in the most pragmatic online-based internationalization reflect company- and ownership-specific advantages and enter a host country with attractive location advantages.

3. Determinants of the types of developmental process of online internationalization

1) Type 1: Physical store expansion to online store

Global fast-fashion retailers with high ownership-specific advantages that enter a market with high location advantages would prefer a physical store first followed by an online store (see Fig. 1). Strong ownership-specific advantages, such as multinational experience and brand identity, can reduce uncertainty about the foreign market. Because of these advantages, including such multinational knowledge and experiences and strong brand identity, global retailers would have less uncertainty about the foreign market. Thus, retailers that have high ownership-specific advantages tend to enter foreign markets with high investment and involvement, and enter with a physical store first rather than an online store (Dunning & McQueen, 1981). Such retailers as H&M and Zara generally have entered with a physical store in their initial stage of expansion.

In addition, one of the factors in location-specific advantages that global retailers consider is psychic distance. Psychic distance refers to perceptions of cultural and business differences attributable to each country's different characteristics, such as the language, legal and political systems, and educational levels (Evans & Mavondo, 2002; Johanson & Vahlne, 2003). Based on the Uppsala theory, a foreign market is close to a retailers' existing market culturally, companies may not feel significant uncertainty about the new market (Johanson & Vahlne, 1977). As they perceive this as a location advantage and observe less uncertainty for that new market when the psychic distance is low (Johanson & Vahlne, 1977; Dunning & McQueen, 1981), they provide high levels of investment for internationalization expansion by entering a host market with a physical store (Johanson & Vahlne, 1977).

In the second stage, firms that begin successfully with physical stores would choose to expand with online stores in their second stage to respond to areas in the host country with demand uncertainty (Overby

Ownership-specific advantages

		High	Low
Location advantages	High	Type 1: Physical → online expansion	Type 2: Online → physical expansion
	Low	Type 2: Online → physical expansion	Type 3: Online only

<Fig. 1> Developmental process of online-based internationalization

& Min, 2001). Although a global retailer may be successful entering with physical stores, demand uncertainty still could be present with respect to expansion to the broader market using multiple physical stores in one country (Overby & Min, 2001). For example, the customers' demands might not be as high as the high levels of investment required to open a physical store in a rural area in the host market. To respond to customers' needs, but use low levels of investment, the firm would choose online stores as its second stage in the internationalization developmental process.

P1: Global fast-fashion retailers with high ownership-specific advantages that enter a host country with high location advantages are likely to enter first with a physical, and then open an online store.

2) Type 2: Online store expansion to physical store

We posited that fast-fashion firms that choose to enter the host market with an online store first and expand to a physical store either have low ownership-specific or location advantages. Even if a retailer's strategies are suitable to the host country, the firm would perceive uncertainty entering a host market without strong ownership-specific advantages (Hutchinson, Alexander, Quinn, & Doherty, 2007). For example, when retailers do not have strong multinational experience, they perceive greater uncertainty about a foreign market. As such firms with low ownership-specific advantages are likely to choose low involvement entry modes (Sternquist, 2007), global fast-fashion retailers with low ownership-specific advantages are more likely to enter the market via an online store as an entry channel that requires little investment. After they gain knowledge and customers in the host country become aware of the brand, they may perceive less market risk. Then, given less uncertainty, global retailers could then expand their stores physically, which requires greater levels of investment.

P2: Global fast-fashion retailers with low ownership-specific advantages that enter a host country with high location advantages are likely to open an online store first and then expand to physical stores.

Furthermore, even if a firm has strong ownership-specific advantages, it will still need to respond to environmental uncertainties in the foreign market, e.g., economic, cultural, political, and government policies. Because fashion products reflect the home country's culture, cultural proximity (i.e., psychic distance) would be an important factor that influences the degree of investment and involvement. In addition, several previous studies have argued that restrictive government policies in host countries are a major factor that impedes internationalization, which implies that a firm would enter the market with minimal investment in that situation (Agarwal & Ramaswami, 1992). Yet large firms with international experience often have the ability to hire local experts, develop experience and brands in the new market, lobby the host government, and even influence their domestic government's relationship with the host market - all of which can reduce the risk of future investment.

P3: Global fast-fashion retailers with high ownership-specific advantages that enter a host market with low location advantages are likely to open an online store first and then expand to physical stores.

3) Type 3: Online store only

Firms that do not have strong ownership-specific advantages and enter a host market with low location advantages would choose an online-only business type rather than invest in physical stores because of the high uncertainties and risks in the host country. They also may not expand to physical stores in the next stage because of continuing uncertainty.

The product's characteristics also are one of the determining factors when considering ownership-specific advantages and choosing the type of developmental process of internationalization. According to Camuffo et al.'s (2006) study, some firms choose an online business because they have a wide variety of products. This type of retailer would internationalize only with an online business and might not be able to enter the foreign market physically. This is attributable to the fact that the firms have an enormous variety of products that make it difficult to have a store that is attractive to customers in another country who have a very wide variety of merchandise. Thus, firms with an extremely large number of diverse products are more likely to choose the online-only store format.

In addition, many previous studies have argued that restrictive foreign country's government policies are one of the factors that impede internationalization, and have suggested that a firm either would enter the market without significant investment or even not enter the foreign market under the restrictive government policies (Agarwak & Ramaswami, 1992). Thus, restrictive policies would lead a firm to choose an online-only business in internationalization to minimize involvement.

P4: Global fast-fashion retailers with low ownership-specific advantages that enter a host market with low location advantages are likely to open an online store only.

Ⅲ. Methods

To develop theoretical and managerial insights into the issue researched, this study employed a qualitative research design involving case studies of three European fast-fashion retailers, H&M, TOPSHOP, and ASOS. Because a multiple case study provides in-depth understanding when the research's purpose is to identify the patterns that link variables (Handfield & Melnyk, 1998), a multiple case study was appropriate for this study. The study also used secondary sources, such as annual reports, press releases, and information from official websites (e.g., https://about.hm.com/en.html; http://www.asosplc.com; http://topshop.com).

Content analysis was used to analyze the qualitative data. According to Holsti (1969), content analysis refers to "any technique for making inferences by objectively and systematically identifying specified characteristics of messages" (p. 14). This study sought to identify different types of developmental processes of online-based internationalization and the determining factors in the choice among those types of the process. Thus, content analysis was the most appropriate method to analyze the qualitative data.

Ⅳ. Results

1. H&M

Erling Persson established H&M in 1947. The first store, "Hennes," opened in Sweden and offered only clothes for women. H&M attracted customers immediately, and in the next several decades, the company expanded successfully, first in the domestic market, and then internationally when it opened its first international store in Norway in 1964. Today, the company offers fashions for women, men, teenagers, and children, as well as cosmetics and home goods.

〈Table 1〉 shows a description of H&M's international outlets for each country, and the number of physical and online stores in each country were compared between 2010 and 2018 (H&M, n.d.). Germany is the largest market in H&M's internationalization, followed by the United Kingdom and France. In 2010, online shopping was available only in limited European countries, such as Sweden, Germany, Austria, and the United Kingdom. However, as of 2018, online stores have become available in most host markets except several countries that H&M entered after 2012 (e.g., Iceland, Mexico, and Vietnam).

By comparing the number of physical stores and online stores in 2018 to 2010, H&M operated physical

<Table 1> H&M outlets (comparison between 2010 and 2018)

	Country	Started year	Number of physical stores		Online shopping availability	
			2010	2018	2010	2018
Europe	Sweden	1947	168	175	Yes	Yes
	Norway	1964	101	130	Yes	Yes
	Denmark	1967	88	113	Yes	Yes
	United Kingdom	1976	192	304	Yes	Yes
	Switzerland	1978	75	100	No	Yes
	Germany	1980	377	468	Yes	Yes
	Netherlands	1989	112	144	Yes	Yes
	Belgium	1992	64	96	No	Yes
	Austria	1994	88	88	Yes	Yes
	Luxembourg	1996	10	10	No	Yes
	Finland	1997	43	67	Yes	Yes
	France	1998	151	237	No	Yes
	Spain	2000	122	172	No	Yes
	Czech Republic	2003	22	52	No	Yes
	Italy	2003	72	179	No	Yes
	Poland	2003	76	186	No	Yes
	Portugal	2003	21	32	No	Yes
	Slovenia	2004	11	12	No	Yes
	Hungary	2005	15	47	No	Yes
	Ireland	2005	12	24	No	Yes
	Greece	2007	18	35	No	Yes
	Slovakia	2007	7	25	No	Yes
	Russia	2009	11	139	No	Yes
	Turkey	2010	2	68	No	Yes
	Croatia	2011	0	16	No	Yes
	Romania	2011	0	56	No	Yes
	Bulgaria	2012	0	21	No	Yes
	Latvia	2012	0	8	No	No
	Estonia	2013	0	12	No	Yes
	Lithuania	2013	0	9	No	Yes
	Serbia	2013	0	13	No	No
	Cyprus	2016	0	1	No	Yes
	Georgia	2017	0	2	No	No
	Iceland	2017	0	3	No	No
	Ukraine	2018	0	2	No	No
North America	United States	2000	209	578	No	Yes
	Canada	2004	55	94	No	Yes
	Mexico	2012	0	45	No	No
South America	Chile	2013	0	13	No	No
	Peru	2015	0	11	No	No
	Puerto Rico	2016	0	2	No	Yes
	Colombia	2017	0	4	No	No
Asia	China	2007	42	530	No	Yes
	Hong Kong	2007	8	26	No	Yes
	Japan	2008	10	91	No	Yes
	South Korea	2010	2	46	No	Yes
	Singapore	2011	0	12	No	Yes
	Malaysia	2012	0	47	No	Yes

<Table 1> Continued

	Country	Started year	Number of physical stores		Online shopping availability	
			2010	2018	2010	2018
Asia	Philippines	2014	0	34	No	Yes
	India	2015	0	39	No	Yes
	Macau	2015	0	2	No	Yes
	Taiwan	2015	0	12	No	Yes
	Kazakstan	2017	0	3	No	No
	Vietnam	2017	0	6	No	No
Oceania	Australia	2014	0	44	No	No
	New Zealand	2016	0	4	No	No
Africa	South Africa	2015	0	23	No	No

Adapted from H&M. (n.d.). https://about.hm.com

stores without online stores in several countries during its first stage of expansion in the host country, then operated online stores in later stages of expansion in the host market. Thus, H&M adopted the first type of developmental process of online-based internationalization: physical store expansion to online store.

2. TOPSHOP

TOPSHOP began in the basement of the Peter Robinson department store in 1964 and less than a decade later became a stand-alone retailer. Today, TOPSHOP has over 300 stores in the United Kingdom and over 100 in international markets. The company provides cutting-edge fashions at affordable prices and updates its products with over 300 new styles per week.

In 1994, the TOPSHOP flagship store opened at London Oxford Circus with over 90,000 ft^2 space, and is the world's largest fashion store, attracting over 200,000 shoppers each week. In addition, TOPSHOP launched TOPSHOP.com and began its online business in 2000. Currently, it ships to over 100 international destinations using online stores to respond to customers' needs. TOSHOP also offers customers in the United States an opportunity to shop on its website using U.S. currency and sizes.

On the other hand, it has engaged relatively little in international expansion through physical stores compared to its online expansion. TOPSHOP's first international store opened in New York City in 2009, nine years after it launched its online business (LIPPY, 2012). 〈Table 2〉 shows a list of TOPSHOP's physical stores globally. Currently, the firm has physical stores in 35 countries, which is not a significant increase from 2011, when it had physical stores in 33 countries. It has increased the number of physical stores in North America greatly, while many physical stores in other countries, such as Russia and several European countries, were closed in 2018 by comparison to the number of stores in 2011. TOPSHOP's developmental process of internationalization tends to be considered the second type of process: expanding with online stores first, and then opening physical stores.

3. ASOS

ASOS has been a global online fashion and beauty retailer since 2000 and offers products from large global brands to unknown local designers. They also own private label product lines across women's and men's wear, footwear, accessories, jewelry, and beauty products. ASOS targets fashion forward customers aged 16 to 34 years of age internationally. ASOS has eight offices worldwide and three global warehouses, including in Germany and the United States in 2017. In addition, ASOS created American, German, and French language ASOS sites in 2010.

Surprisingly, ASOS has approximately 85,000 products

<Table 2> TOPSHOP outlets (comparison between 2011 and 2018)

	Country	Number of physical stores		Online shopping availability	
		2011	2018	2011	2018
Europe	United Kingdom	Over 300	Over 300	Yes	Yes
	Ireland	16	15	Yes	Yes
	Germany	0	6	No	Yes
	France	0	5	No	Yes
	Cyprus	4	4	No	No
	Netherlands	0	3	No	Yes
	Spain	2	3	Yes	Yes
	Russia	22	3	No	No
	Georgia	0	1	No	No
	Isle of Man	1	1	No	No
	Slovenia	3	1	No	No
	Ukraine	1	1	No	No
	Channel Island	1	1	No	No
	Malta	1	1	No	No
	Armenia	0	1	No	Yes
	Gibraltar	1	1	No	No
	Denmark	8	1	Yes	Yes
	Portugal	0	1	Yes	Yes
	Croatia	4	0	Yes	Yes
	Czech Republic	1	0	Yes	Yes
	Iceland	2	0	No	No
	Poland	1	0	Yes	Yes
	Sweden	4	0	Yes	Yes
	Turkey	5	0	Yes	Yes
North America	United States	1	87	Yes	Yes
	Canada	0	28	No	Yes
South America	Chile	7	11	Yes	Yes
	Peru	0	1	No	No
	Brazil	0	1	Yes	Yes
Middle East	Arab Emirates	8	18	No	No
	Kuwait	3	11	No	No
	Saudi Arabia	8	9	No	No
	Israel	9	7	No	No
	Qatar	2	6	No	No
	Bahrain	1	3	No	No
	Lebanon	1	2	No	No
	Egypt	0	1	No	No
Asia	Philippines	11	11	No	No
	Malaysia	8	9	Yes	Yes
	Thailand	3	8	Yes	Yes
	Singapore	9	4	Yes	Yes
	Indonesia	5	4	Yes	Yes
	Vietnam	0	3	Yes	Yes
	Kazakhstan	0	2	Yes	Yes
	Hong Kong	0	2	Yes	Yes
	Cambodia	0	1	Yes	Yes
	Japan	5	0	Yes	Yes
Oceania	Australia	0	4	No	Yes

Adapted from TOPSHOP. (n.d.). https://www.topshop.com at a time and introduces 5,000 new products weekly (ASOS, 2017). This multinational online retailer had 1.5 million active consumers in 2017, and over 1.5 billion consumers from 230 countries visited annually (had shopped in the last 12 months). ASOS' total sales in 2017 were 1,876 million pounds (£), which corresponds to 2,431 million U.S. dollars ($). Because ASOS focused its business only on online sales, the retailer has created many online technologies and tactics to attract customers. For example, in 2006, the company began to use catwalk videos in its United Kingdom online store, and launched ASOS on mobiles in 2010. ASOS adopted the third type of developmental process of online-based internationalization: online store only.

V. Discussion

H&M used the first type of developmental process of internationalization: physical entry first, and then online expansion. Because H&M opened its first international physical store in 1964, the firm has accumulated significant multinational experience. Because of its extensive knowledge about foreign markets, H&M would perceive less risk and uncertainty about the foreign markets. This led the firm to choose physical entry first with relatively high investment and then to expand its online stores to a wider area gradually.

However, location advantages were not critical factors in H&M's choice of the first type of internationalization, in that psychic distance did not influence whether it expanded with a physical or an online store first. As shown in 〈Table 1〉, in 2010, H&M had physical stores in host markets where the psychic distance is high, such as Asia, while it did not offer online shopping service to those host markets. In addition, although online shopping was available for most countries in 2018, H&M does not provide online shopping for a small number of counties in which it opened physical stores recently, such as Serbia, Georgia, Mexico, and Vietnam. These countries include both European countries and non-European countries, and thus, location advantages were not factors in H&M's decision whether to open a physical or an online store first in its first stage of internationalization.

Although H&M showed clearly that its international expansion conformed to the first type, TOP SHOP's developmental process of internationalization was inconsistent. In countries in the Middle East and Eastern Europe, TOPSHOP has physical stores, but does not provide online shopping service. On the other hand, TOPSHOP covers many more international countries via online stores in which it does not have a physical store; it has physical stores in 48 counties, while it covers over 100 countries via online stores. Thus, the firm tended to choose the second type of developmental process of internationalization: entering online first and then expanding with a physical store.

Considering ownership-specific advantages, TOPSHOP might perceive more uncertainty about foreign markets than H&M because it has relatively less multinational experience, as it opened its first flagship store in an international location in 2009. When TOPSHOP first began its international expansion to other European countries and North America, where psychic distance is low, it may not have had sufficient multinational knowledge and/or brand awareness. For example, although it could have strong location advantages for the United States market because of the same language and similar culture, it entered with an online store nonetheless because it had low ownership-specific advantages (TOPSHOP predominantly uses franchising in its expansion rather than wholly-owned, which implies low ownership-specific advantages; Sternquist, 2007). Because of its low ownership-specific advantages and strong location advantages, the firm chose to develop its international expansion with online stores first followed by physical stores.

In addition, for Asian countries in which psychic distance is high from a European firm's perspective, TOPSHOP shipped its products to several Asian countries in 2011, when it did not have a physical store. Although the company has built brand awareness and acquired strong multinational experiences over time in other European countries, it chose to expand with online stores because of its low location advantages. Currently, it has multiple physical stores in Asian countries, including the Philippines, Malaysia, and Hong Kong.

With respect to ASOS, the retailer sells approximately 85,000 products at a time on its website. Because of its enormous variety of products, it might be difficult for the firm to update its products every week and have warehouses all over the world. This product characteristic might have led ASOS to select the third type of online-based internationalization: operating its business only online.

VI. Conclusion and Limitations

This study identified types of online retail internationalization in the context of fast-fashion retailers and proposed driving factors of retailers' choices to adopt online-based market entry. According to the model proposed, fast-fashion retailers that enter a host market with high ownership-specific advantages are likely to choose to do so with physical stores and then expand with online stores. On the other hand, when uncertainties exist attributable to low ownership-specific advantages and/or low location advantages, fast-fashion retailers are likely to choose to enter with an online store first and then expand with physical stores as conditions change.

This study considered only three European apparel retailers. In future research, it would be valuable to investigate more cases of apparel retailers, including the internationalization process of small-sized online retailers. In addition, because this study considered only a small number of stores, regardless of whether they had online or physical stores, a more strategic approach would be needed to obtain a better understanding of firms' developmental process via online expansion. In future research, empirical tests are needed to verify the propositions, which will provide a better understanding of fast-fashion retailers' online retail internationalization.

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